

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED APRIL 30, 2022

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

Commission File Number: 001-34755

## LIMONEIRA COMPANY

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

77-0260692

(I.R.S. Employer Identification No.)

1141 Cummings Road, Santa Paula, CA  
(Address of principal executive offices)

93060  
(Zip code)

Registrant's telephone number, including area code: (805) 525-5541

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange of Which Registered
Common Stock, \$0.01 par value	LMNR	The NASDAQ Stock Market LLC (NASDAQ Global Select Market)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.:

Large accelerated filer  Accelerated filer  Emerging growth company  
 Non-accelerated filer  Smaller reporting company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

As of May 31, 2022, there were 17,721,551 shares outstanding of the registrant's common stock.

**LIMONEIRA COMPANY**  
**TABLE OF CONTENTS**

<b>PART I. FINANCIAL INFORMATION</b>	<b><a href="#">4</a></b>
Item 1. Financial Statements (Unaudited)	<a href="#">4</a>
Consolidated Balance Sheets – April 30, 2022 and October 31, 2021	<a href="#">4</a>
Consolidated Statements of Operations – three and six months ended April 30, 2022 and 2021	<a href="#">5</a>
Consolidated Statements of Comprehensive Income (Loss) – three and six months ended April 30, 2022 and 2021	<a href="#">6</a>
Consolidated Statements of Stockholders' Equity and Temporary Equity – three and six months ended April 30, 2022 and 2021	<a href="#">7</a>
Consolidated Statements of Cash Flows – six months ended April 30, 2022 and 2021	<a href="#">8</a>
Notes to Consolidated Financial Statements	<a href="#">10</a>
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<a href="#">25</a>
Item 3. Quantitative and Qualitative Disclosures about Market Risk	<a href="#">43</a>
Item 4. Controls and Procedures	<a href="#">43</a>
<b>PART II. OTHER INFORMATION</b>	<b><a href="#">44</a></b>
Item 1. Legal Proceedings	<a href="#">44</a>
Item 1A. Risk Factors	<a href="#">44</a>
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	<a href="#">44</a>
Item 3. Defaults Upon Senior Securities	<a href="#">44</a>
Item 4. Mine Safety Disclosures	<a href="#">44</a>
Item 5. Other Information	<a href="#">44</a>
Item 6. Exhibits	<a href="#">45</a>
<b>SIGNATURES</b>	<b><a href="#">47</a></b>

## CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains both historical and forward-looking statements. Forward-looking statements in this Quarterly Report on Form 10-Q are subject to a number of risks and uncertainties, some of which are beyond the Company's control. The potential risks and uncertainties that could cause our actual financial condition, results of operations and future performance to differ materially from those expressed or implied in this quarterly report include:

- negative impacts related to the COVID-19 pandemic and the effectiveness of our Company's responses to the pandemic;
- changes in laws, regulations, rules, quotas, tariffs, and import laws;
- adverse weather conditions, natural disasters and other adverse natural conditions, including freezes, rains, fires, winds and droughts that affect the production, transportation, storage, import and export of fresh produce;
- market responses to industry volume pressures;
- increased pressure from disease, insects and other pests;
- disruption of water supplies or changes in water allocations;
- disruption in the global supply chain;
- product and raw materials supplies and pricing;
- energy supply and pricing;
- changes in interest rates;
- availability of financing for development activities;
- general economic conditions for residential and commercial real estate development;
- political changes and economic crises;
- international conflict;
- acts of terrorism;
- labor disruptions, strikes, shortages or work stoppages;
- the impact of foreign exchange rate movements;
- ability to maintain compliance with covenants under our loan agreements;
- loss of important intellectual property rights; and
- other factors disclosed in our public filings with the Securities and Exchange Commission (the "SEC").

These forward-looking statements involve risks and uncertainties that we have identified as having the potential to cause actual results to differ materially from those contemplated herein. We have described in Part I, Item 1A-"Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended October 31, 2021 additional factors that could cause our actual results to differ from our projections or estimates, especially relating to the COVID-19 pandemic.

Many of these risks and uncertainties are currently amplified by, and will continue to be amplified by, or in the future may be amplified by, the COVID-19 pandemic. It is not possible to predict or identify all such risks.

The Company's actual results, performance, prospects or opportunities could differ materially from those expressed in or implied by the forward-looking statements. Additional risks of which the Company is not currently aware or which the Company currently deems immaterial could also cause the Company's actual results to differ, including those discussed in the section entitled "Risk Factors" included in our Annual Report on Form 10-K for the fiscal year ended October 31, 2021. Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this Quarterly Report on Form 10-Q. Except as required by law, we undertake no obligation to update these forward-looking statements, even if our situation changes in the future.

**All references to "we," "us," "our," "our Company," "the Company" or "Limoneira" in this Quarterly Report on Form 10-Q mean Limoneira Company, a Delaware corporation, and its consolidated subsidiaries.**

**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements**

**LIMONEIRA COMPANY**  
**CONSOLIDATED BALANCE SHEETS (UNAUDITED)**  
(\$ in thousands, except share amounts)

	April 30, 2022	October 31, 2021
<b>Assets</b>		
Current assets:		
Cash	\$ 960	\$ 439
Accounts receivable, net	22,139	17,483
Cultural costs	2,858	7,500
Prepaid expenses and other current assets	10,648	10,709
Receivables/other from related parties	5,347	5,958
Total current assets	41,952	42,089
Property, plant and equipment, net	239,594	242,420
Real estate development	23,049	22,828
Equity in investments	64,290	64,072
Goodwill	1,520	1,527
Intangible assets, net	7,873	8,329
Other assets	12,466	11,011
Total assets	\$ 390,744	\$ 392,276
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 9,800	\$ 8,963
Growers and suppliers payable	9,495	10,371
Accrued liabilities	6,802	6,542
Payables to related parties	8,035	6,976
Current portion of long-term debt	3,678	2,472
Total current liabilities	37,810	35,324
Long-term liabilities:		
Long-term debt, less current portion	135,575	130,353
Deferred income taxes	20,975	22,853
Other long-term liabilities	5,598	4,501
Total liabilities	199,958	193,031
Commitments and contingencies (See Note 16)	—	—
Series B Convertible Preferred Stock – \$100.00 par value (50,000 shares authorized: 14,790 shares issued and outstanding at April 30, 2022 and October 31, 2021) (8.75% coupon rate)	1,479	1,479
Series B-2 Convertible Preferred Stock – \$100.00 par value (10,000 shares authorized: 9,300 shares issued and outstanding at April 30, 2022 and October 31, 2021) (4% dividend rate on liquidation value of \$1,000 per share)	9,331	9,331
Stockholders' Equity:		
Series A Junior Participating Preferred Stock – \$0.01 par value (20,000 shares authorized: zero issued or outstanding at April 30, 2022 and October 31, 2021)	—	—
Common Stock – \$0.01 par value (39,000,000 shares authorized: 17,972,528 and 17,936,377 shares issued and 17,721,551 and 17,685,400 shares outstanding at April 30, 2022 and October 31, 2021, respectively)	180	179
Additional paid-in capital	164,253	163,965
Retained earnings	13,691	21,552
Accumulated other comprehensive loss	(6,539)	(5,733)
Treasury stock, at cost, 250,977 shares at April 30, 2022 and October 31, 2021	(3,493)	(3,493)
Noncontrolling interest	11,884	11,965
Total stockholders' equity	179,976	188,435
Total liabilities and stockholders' equity	\$ 390,744	\$ 392,276

The accompanying notes are an integral part of these unaudited consolidated financial statements.

# LIMONEIRA COMPANY

## CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED) (\$ in thousands, except share amounts)

	Three Months Ended April 30,		Six Months Ended April 30,	
	2022	2021	2022	2021
<b>Net revenues:</b>				
Agribusiness	\$ 45,369	\$ 43,989	\$ 83,452	\$ 81,126
Other operations	1,381	1,143	2,572	2,281
Total net revenues	46,750	45,132	86,024	83,407
<b>Costs and expenses:</b>				
Agribusiness	37,599	36,442	78,843	73,380
Other operations	1,093	1,090	2,167	2,172
Loss on disposal of assets, net	346	—	261	—
Selling, general and administrative	5,126	5,216	11,725	11,111
Total costs and expenses	44,164	42,748	92,996	86,663
Operating income (loss)	2,586	2,384	(6,972)	(3,256)
<b>Other (expense) income:</b>				
Interest income	27	25	48	68
Interest expense, net of patronage dividends	(696)	(622)	(481)	(488)
Equity in earnings of investments, net	299	643	350	1,009
Other income, net	78	57	93	51
Total other (expense) income	(292)	103	10	640
Income (loss) before income tax (expense) benefit	2,294	2,487	(6,962)	(2,616)
Income tax (expense) benefit	(722)	(974)	1,928	213
Net income (loss)	1,572	1,513	(5,034)	(2,403)
Net (income) loss attributable to noncontrolling interest	(11)	420	77	128
Net income (loss) attributable to Limoneira Company	1,561	1,933	(4,957)	(2,275)
Preferred dividends	(126)	(126)	(251)	(251)
Net income (loss) attributable to common stock	\$ 1,435	\$ 1,807	\$ (5,208)	\$ (2,526)
Basic net income (loss) per common share	\$ 0.08	\$ 0.10	\$ (0.30)	\$ (0.15)
Diluted net income (loss) per common share	\$ 0.08	\$ 0.10	\$ (0.30)	\$ (0.15)
Weighted-average common shares outstanding-basic	17,511,000	17,461,000	17,461,000	17,429,000
Weighted-average common shares outstanding-diluted	17,511,000	17,461,000	17,461,000	17,429,000

*The accompanying notes are an integral part of these unaudited consolidated financial statements.*

# LIMONEIRA COMPANY

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED) (In thousands)

	Three Months Ended April 30,		Six Months Ended April 30,	
	2022	2021	2022	2021
Net income (loss)	\$ 1,572	\$ 1,513	\$ (5,034)	\$ (2,403)
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustments	(1,006)	577	(951)	1,372
Minimum pension liability adjustment, net of tax of \$27, \$50, \$54 and \$100 for the three and six months ended April 30, 2022 and 2021, respectively.	73	134	145	268
Total other comprehensive (loss) income, net of tax	(933)	711	(806)	1,640
Comprehensive income (loss)	639	2,224	(5,840)	(763)
Comprehensive (income) loss attributable to noncontrolling interest	(5)	403	81	72
Comprehensive income (loss) attributable to Limoneira Company	<u>\$ 634</u>	<u>\$ 2,627</u>	<u>\$ (5,759)</u>	<u>\$ (691)</u>

*The accompanying notes are an integral part of these unaudited consolidated financial statements.*

# LIMONEIRA COMPANY

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND TEMPORARY EQUITY ( \$ in thousands )

	Stockholders' Equity							Temporary Equity		
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Non-controlling Interest	Total Equity	Series B Preferred Stock	Series B-2 Preferred Stock
	Shares	Amount								
Balance at October 31, 2021	17,685,400	\$ 179	\$ 163,965	\$ 21,552	\$ (5,733)	\$ (3,493)	\$ 11,965	\$ 188,435	\$ 1,479	\$ 9,331
Dividends Common (\$0.075 per share)	—	—	—	(1,328)	—	—	—	(1,328)	—	—
Dividends Series B (\$2.19 per share)	—	—	—	(32)	—	—	—	(32)	—	—
Dividends Series B-2 (\$10 per share)	—	—	—	(93)	—	—	—	(93)	—	—
Stock compensation	70,000	1	996	—	—	—	—	997	—	—
Exchange of common stock	(55,362)	—	(900)	—	—	—	—	(900)	—	—
Net loss	—	—	—	(6,518)	—	—	(88)	(6,606)	—	—
Other comprehensive income, net of tax	—	—	—	—	127	—	2	129	—	—
Balance at January 31, 2022	17,700,038	\$ 180	\$ 164,061	\$ 13,581	\$ (5,606)	\$ (3,493)	\$ 11,879	\$ 180,602	\$ 1,479	\$ 9,331
Dividends Common (\$0.075 per share)	—	—	—	(1,325)	—	—	—	(1,325)	—	—
Dividends Series B (\$2.19 per share)	—	—	—	(33)	—	—	—	(33)	—	—
Dividends Series B-2 (\$10 per share)	—	—	—	(93)	—	—	—	(93)	—	—
Stock compensation	34,231	—	378	—	—	—	—	378	—	—
Exchange of common stock	(12,718)	—	(186)	—	—	—	—	(186)	—	—
Net income	—	—	—	1,561	—	—	11	1,572	—	—
Other comprehensive loss, net of tax	—	—	—	—	(933)	—	(6)	(939)	—	—
Balance at April 30, 2022	17,721,551	\$ 180	\$ 164,253	\$ 13,691	\$ (6,539)	\$ (3,493)	\$ 11,884	\$ 179,976	\$ 1,479	\$ 9,331

	Stockholders' Equity							Temporary Equity		
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Non-controlling Interest	Total Equity	Series B Preferred Stock	Series B-2 Preferred Stock
	Shares	Amount								
Balance at October 31, 2020	17,606,730	\$ 179	\$ 162,084	\$ 30,797	\$ (7,548)	\$ (3,493)	\$ 13,741	\$ 195,760	\$ 1,479	\$ 9,331
Dividends Common (\$0.075 per share)	—	—	—	(1,324)	—	—	—	(1,324)	—	—
Dividends Series B (\$2.19 per share)	—	—	—	(32)	—	—	—	(32)	—	—
Dividends Series B-2 \$10 per share)	—	—	—	(93)	—	—	—	(93)	—	—
Stock compensation	125,190	1	1,066	—	—	—	—	1,067	—	—
Exchange of common stock	(46,993)	(1)	(700)	—	—	—	—	(701)	—	—
Net (loss) income	—	—	—	(4,208)	—	—	292	(3,916)	—	—
Other comprehensive income, net of tax	—	—	—	—	929	—	39	968	—	—
Balance at January 31, 2021	17,684,927	\$ 179	\$ 162,450	\$ 25,140	\$ (6,619)	\$ (3,493)	\$ 14,072	\$ 191,729	\$ 1,479	\$ 9,331
Dividends Common (\$0.075 per share)	—	—	—	(1,327)	—	—	—	(1,327)	—	—
Dividends Series B (\$2.19 per share)	—	—	—	(33)	—	—	—	(33)	—	—
Dividends Series B-2 (\$10 per share)	—	—	—	(93)	—	—	—	(93)	—	—
Stock compensation	473	—	570	—	—	—	—	570	—	—
Net income (loss)	—	—	—	1,933	—	—	(420)	1,513	—	—
Other comprehensive income, net of tax	—	—	—	—	711	—	17	728	—	—
Balance at April 30, 2021	17,685,400	\$ 179	\$ 163,020	\$ 25,620	\$ (5,908)	\$ (3,493)	\$ 13,669	\$ 193,087	\$ 1,479	\$ 9,331

The accompanying notes are an integral part of these unaudited consolidated financial statements.

# LIMONEIRA COMPANY

## CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (In thousands)

	Six Months Ended April 30,	
	2022	2021
<b>Operating activities</b>		
Net loss	\$ (5,034)	\$ (2,403)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	4,963	5,053
Loss (gain) on disposal of assets, net	261	(16)
Stock compensation expense	1,375	1,637
Non-cash lease expense	207	237
Equity in earnings of investments, net	(350)	(1,009)
Cash distributions from equity investments	132	—
Deferred income taxes	(1,928)	(213)
Other, net	360	274
Changes in operating assets and liabilities:		
Accounts receivable and receivables/other from related parties	(3,877)	(6,733)
Cultural costs	4,640	2,724
Prepaid expenses and other current assets	(2,392)	(1,158)
Income taxes receivable	—	4,966
Other assets	33	—
Accounts payable and growers and suppliers payable	(413)	2,738
Accrued liabilities and payables to related parties	1,030	(1,197)
Other long-term liabilities	(167)	(257)
Net cash (used in) provided by operating activities	(1,160)	4,643
<b>Investing activities</b>		
Capital expenditures	(4,123)	(5,409)
Net proceeds from sale of assets	1,121	83
Collection on note receivable	2,600	25
Investments in mutual water companies and water rights	(40)	(200)
Net cash used in investing activities	(442)	(5,501)
<b>Financing activities</b>		
Borrowings of long-term debt	75,247	48,185
Repayments of long-term debt	(68,762)	(42,675)
Principal paid on finance leases	(169)	—
Dividends paid – common	(2,653)	(2,651)
Dividends paid – preferred	(251)	(251)
Exchange of common stock	(1,086)	(700)
Net cash provided by financing activities	2,326	1,908
Effect of exchange rate changes on cash	(203)	39
Net increase in cash	521	1,089
Cash at beginning of period	439	501
Cash at end of period	\$ 960	1,590



# LIMONEIRA COMPANY

## CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (CONTINUED) (In thousands)

	Six Months Ended April 30,	
	2022	2021
<b>Supplemental disclosures of cash flow information</b>		
Cash paid during the period for interest, net of amounts capitalized	\$ 431	\$ 780
Cash paid (received) during the period for income taxes, net	\$ —	\$ (4,997)
Non-cash investing and financing activities:		
Capital expenditures accrued but not paid at period-end	\$ 88	\$ 150
Accrued contribution obligation of investment in water company	\$ 450	\$ 450

*The accompanying notes are an integral part of these unaudited consolidated financial statements.*

**LIMONEIRA COMPANY**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

**1. Organization and Basis of Presentation**

**Business**

Limoneira Company (together with its consolidated subsidiaries, the “Company”) engages primarily in growing citrus and avocados, picking and hauling citrus, and packing, marketing and selling citrus. The Company is also engaged in residential rentals and other rental operations and real estate development activities.

The Company markets and sells citrus directly to food service, wholesale and retail customers throughout the United States, Canada, Asia, Europe and other international markets. The Company is a member of Sunkist Growers, Inc. (“Sunkist”), an agricultural marketing cooperative, and sells a portion of its oranges, specialty citrus and other crops to Sunkist-licensed and other third-party packinghouses.

Through fiscal year 2021, the Company sold the majority of its avocado production to Calavo Growers, Inc. (“Calavo”), a packing and marketing company listed on the NASDAQ Global Select Market under the symbol CVGW. In February 2022, the Company terminated its Avocado Marketing Agreement and the associated Letter Agreement Regarding Fruit Commitment with Calavo to pursue opportunities with other packing and marketing companies.

**Basis of Presentation and Preparation**

The accompanying unaudited interim consolidated financial statements include the accounts of the Company and the accounts of all the subsidiaries and investments in which the Company holds a controlling interest. Intercompany balances and transactions have been eliminated in consolidation. In the opinion of the Company, the unaudited interim consolidated financial statements reflect all adjustments, which are normal and recurring in nature, necessary for fair financial statement presentation. The preparation of these unaudited interim consolidated financial statements and accompanying notes in conformity with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Certain information and footnote disclosures normally included in the annual consolidated financial statements have been condensed or omitted pursuant to the rules and regulations of the SEC. Because the consolidated financial statements do not include all of the information and notes required by GAAP for a complete set of consolidated financial statements, they should be read in conjunction with the audited consolidated financial statements and notes included in the Company’s Annual Report on Form 10-K.

**2. Summary of Significant Accounting Policies**

**Comprehensive Income (Loss)**

Comprehensive income (loss) represents all changes in a company’s net assets, except changes resulting from transactions with stockholders. Other comprehensive income or loss primarily includes foreign currency translation items and defined benefit pension items. Accumulated other comprehensive loss is reported as a component of the Company’s stockholders’ equity.

The following table summarizes other comprehensive (loss) income by component (in thousands):

	<b>Three Months Ended April 30,</b>					
	<b>2022</b>			<b>2021</b>		
	<b>Pre-tax Amount</b>	<b>Tax Expense</b>	<b>Net Amount</b>	<b>Pre-tax Amount</b>	<b>Tax Expense</b>	<b>Net Amount</b>
Foreign currency translation adjustments	\$ (1,006)	\$ —	\$ (1,006)	\$ 577	\$ —	\$ 577
Minimum pension liability adjustments:						
Other comprehensive gain before reclassifications	100	(27)	73	184	(50)	134
Other comprehensive (loss) income	<u>\$ (906)</u>	<u>\$ (27)</u>	<u>\$ (933)</u>	<u>\$ 761</u>	<u>\$ (50)</u>	<u>\$ 711</u>

# LIMONEIRA COMPANY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

### 2. Summary of Significant Accounting Policies (continued)

#### Comprehensive Income (Loss) (continued)

	Six Months Ended April 30,					
	2022			2021		
	Pre-tax Amount	Tax Expense	Net Amount	Pre-tax Amount	Tax Expense	Net Amount
Foreign currency translation adjustments	\$ (951)	\$ —	\$ (951)	\$ 1,372	\$ —	\$ 1,372
Minimum pension liability adjustments:						
Other comprehensive gain before reclassifications	199	(54)	145	368	(100)	268
Other comprehensive (loss) income	\$ (752)	\$ (54)	\$ (806)	\$ 1,740	\$ (100)	\$ 1,640

The following table summarizes the changes in accumulated other comprehensive loss by component (in thousands):

	Foreign Currency Translation (Loss) Gain	Defined Benefit Pension Plan	Accumulated Other Comprehensive Loss
Balance at October 31, 2021	\$ (3,754)	\$ (1,979)	\$ (5,733)
Other comprehensive (loss) income	(951)	145	(806)
Balance at April 30, 2022	\$ (4,705)	\$ (1,834)	\$ (6,539)
	Foreign Currency Translation (Loss) Gain	Defined Benefit Pension Plan	Accumulated Other Comprehensive Loss
Balance at October 31, 2020	\$ (3,069)	\$ (4,479)	\$ (7,548)
Other comprehensive income	1,372	268	1,640
Balance at April 30, 2021	\$ (1,697)	\$ (4,211)	\$ (5,908)

#### COVID-19 Pandemic

There is uncertainty around the breadth and duration of the Company's business disruptions related to the COVID-19 pandemic. The decline in demand for the Company's products beginning the second quarter of fiscal year 2020, which it believes was due to the COVID-19 pandemic, negatively impacted its sales and profitability for the last three quarters of fiscal year 2020, all of fiscal year 2021, and the first two quarters of fiscal year 2022. The Company also expects COVID-19 to impact its sales and profitability in future periods. The duration of these trends and the magnitude of such impacts are uncertain and therefore cannot be estimated at this time, as they are influenced by a number of factors, many of which are outside management's control. The full impact of the COVID-19 pandemic on the Company's results of operations, financial condition, and liquidity, including its ability to comply with debt covenants, for fiscal year 2022 and beyond, is driven by estimates that contain uncertainties.

#### Recent Accounting Pronouncements

*Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*

This amendment simplifies accounting for convertible instruments by removing major separation models currently required under GAAP. Consequently, more convertible debt instruments will be reported as a single liability instrument and more convertible preferred stock as a single equity instrument with no separate accounting for embedded conversion features. The ASU removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception, which will permit more equity contracts to qualify for it. The ASU also simplifies the diluted earnings per share (EPS) calculation in certain areas.

ASU 2020-06 is effective for public business entities that meet the definition of a SEC filer for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2020. The Company adopted this ASU effective November 1, 2021 and the adoption did not have a material impact on its consolidated financial statements.

## LIMONEIRA COMPANY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

#### 3. Concentrations and Geographic Information

Concentrations of credit risk with respect to revenues and trade receivable are limited due to a large, diverse customer base. Two customers represented 13% and 11% of revenue, respectively, for the six months ended April 30, 2022. One individual customer represented 11% of revenues for the six months ended April 30, 2021. One individual customer represented 11% of accounts receivable, net as of April 30, 2022. No individual customer represented more than 10% of accounts receivable, net as of October 31, 2021.

Lemons procured from third-party growers were 51% and 50% of the Company's lemon supply for the three months ended April 30, 2022 and 2021, respectively, and were 54% and 49% of the Company's lemon supply for the six months ended April 30, 2022 and 2021, respectively. One third-party grower was 13% and 19% of the lemon supply for the six months ended April 30, 2022 and 2021, respectively.

During the three months ended April 30, 2022 and 2021, the Company had approximately \$2,503,000 and \$950,000, respectively, of total sales in Chile by Fruticola Pan de Azucar S.A. ("PDA") and Agricola San Pablo SpA ("San Pablo"). During the six months ended April 30, 2022 and 2021, the Company had approximately \$2,711,000 and \$1,977,000, respectively, of total sales in Chile by PDA and San Pablo.

In March 2022, the Company signed an agreement to lease Finca Santa Clara, its 1,200-acre lemon ranch in Argentina, to FGF Trapani ("FGF"), its 49% partner in Trapani Fresh Consorcio de Cooperacion ("Trapani Fresh"). The lease is retroactive beginning November 1, 2021, with a term of 14 months at a fixed sum of \$400,000, payable in five equal, monthly installments beginning August 2022 until December 2022. During the three and six months ended April 30, 2022, the Company had approximately \$171,000 of lease income by Trapani Fresh included in other operations revenue. During the three and six months ended April 30, 2021, the Company had approximately \$884,000 and \$2,555,000, respectively, of total agribusiness sales in Argentina by Trapani Fresh.

Aggregate foreign exchange transaction losses realized for our foreign subsidiaries was approximately \$107,000 and \$551,000 for the six months ended April 30, 2022 and 2021, respectively, and were included in selling, general and administrative expenses in the consolidated statements of operations.

#### 4. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following (in thousands):

	April 30, 2022	October 31, 2021
Prepaid supplies and insurance	\$ 3,030	\$ 2,521
Note receivable and related interest	—	2,438
Real estate development held for sale	2,543	2,543
Sales tax receivable	477	909
Lemon supplier advances	3,073	676
Other	1,525	1,622
	<u>\$ 10,648</u>	<u>\$ 10,709</u>

#### 5. Real Estate Development

Real estate development assets are comprised primarily of land and land development costs and consist of the following (in thousands):

	April 30, 2022	October 31, 2021
East Area I - Retained Property	\$ 13,511	\$ 13,335
East Area II	9,538	9,493
	<u>\$ 23,049</u>	<u>\$ 22,828</u>

## LIMONEIRA COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

### 5. Real Estate Development (continued)

#### East Area I, Retained Property and East Area II

In fiscal year 2005, the Company began capitalizing the costs of two real estate development projects east of Santa Paula, California, for the development of 550 acres of land into residential units, commercial buildings and civic facilities. In November 2015 (the "Transaction Date"), the Company entered into a joint venture with The Lewis Group of Companies ("Lewis") for the residential development of its East Area I real estate development project. To consummate the transaction, the Company formed Limoneira Lewis Community Builders, LLC ("LLCB") as the development entity, contributed its East Area I property to LLCB and sold a 50% interest in LLCB to Lewis for \$20,000,000.

The Company and LLCB also entered into a Retained Property Development Agreement on the Transaction Date (the "Retained Property Agreement"). Under the terms of the Retained Property Agreement, LLCB transferred certain contributed East Area I property, which is entitled for commercial development, back to the Company (the "Retained Property") and arranged for the design and construction of certain improvements to the Retained Property, subject to certain reimbursements by the Company. The balance in Retained Property and East Area II includes estimated costs incurred by and reimbursable to LLCB of \$5,771,000 at April 30, 2022 and October 31, 2021, which is included in payables to related parties.

In January 2018, LLCB entered into a \$45,000,000 unsecured Line of Credit Loan Agreement and Promissory Note (the "Loan") with Bank of America, N.A. to fund early development activities. The Loan, as modified and extended, matures February 22, 2023. The interest rate on the Loan is LIBOR plus 2.85% and is payable monthly. The Loan contains certain customary default provisions and LLCB may prepay any amounts outstanding under the Loan without penalty. The joint venture had an outstanding balance of \$1,000,000 as of April 30, 2022. The Loan has a one year extension option through February 22, 2024 subject to terms and conditions as defined in the agreement, with the maximum borrowing amount reduced to \$35,000,000 during the extension period.

In February 2018, the Company and certain principals from Lewis guaranteed the obligations under the Loan. The guarantee shall continue in effect until all of the Loan obligations are fully paid and the guarantors are jointly and severally liable for all Loan obligations in the event of default by LLCB. The \$1,080,000 estimated value of the guarantee was recorded in the Company's consolidated balance sheets and is included in other long-term liabilities with a corresponding value in equity in investments. Additionally, a Reimbursement Agreement was executed between the Lewis guarantors and the Company, which provides for unpaid liabilities of LLCB to be shared pro-rata by the Lewis guarantors and the Company in proportion to their percentage interest in LLCB.

Through April 30, 2022, LLCB has closed sales of initial residential lots representing 586 residential units.

#### Other Real Estate Development Projects

The remaining real estate development parcel within the Templeton Santa Barbara, LLC project is described as Sevilla. In fiscal year 2020, the Company entered into an agreement to sell its Sevilla property for \$2,700,000, which is expected to close in fiscal year 2022. After transaction and other costs, the Company expects to receive cash proceeds of approximately \$2,550,000 and recognize an immaterial gain upon closing. At April 30, 2022 and October 31, 2021, the \$2,543,000 carrying value of the property was classified as held for sale and included in prepaid expenses and other current assets.

In December 2017, the Company sold its Centennial property with a net book value of \$2,983,000 for \$3,250,000. The Company received cash and a \$3,000,000 promissory note secured by the property for the balance of the purchase. The promissory note was originally scheduled to mature in December 2019, but was periodically extended with principal payments totaling \$400,000 received through October 31, 2021. In November 2021, the promissory note was further extended to June 30, 2022 upon making a principal paydown of \$250,000, which was paid in November 2021, and revising the interest rate to 4.00% per annum. In April 2022, the \$2,350,000 net carrying value of the promissory note was paid in full and the deferred gain of \$161,000 was recognized in the second quarter of fiscal year 2022.

# LIMONEIRA COMPANY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

### 6. Equity in Investments

Equity in investments consist of the following (in thousands):

	April 30, 2022	October 31, 2021
Limoneira Lewis Community Builders, LLC	\$ 60,479	\$ 60,216
Limco Del Mar, Ltd.	1,970	1,997
Rosales	1,335	1,351
Romney Property Partnership	506	508
	<u>\$ 64,290</u>	<u>\$ 64,072</u>

Net amounts due (to) from Rosales were \$(23,000) and \$1,570,000 at April 30, 2022 and October 31, 2021, respectively, and are included in receivables/other from related parties and payables to related parties.

#### *Unconsolidated Significant Subsidiary*

In accordance with Rule 10-01(b)(1) of Regulation S-X, which applies to interim reports on Form 10-Q, the Company must determine if its equity method investees are considered "significant subsidiaries." In evaluating its investments, there are two tests utilized to determine if equity method investees are considered significant subsidiaries: the income test and the investment test. Summarized income statement information of an equity method investee is required in an interim report if either of the two tests exceed 20% in the interim periods presented. During the year-to-date interim period for the six months ended April 30, 2021, this threshold was met for the Company's equity investment in LLCB.

The following is unaudited summarized financial information for LLCB (in thousands):

	Six Months Ended April 30,	
	2022	2021
Revenues	\$ 865	\$ 19,827
Cost of land sold	—	15,336
Operating expenses	435	467
Net income	<u>\$ 430</u>	<u>\$ 4,024</u>
Net income attributable to Limoneira Company	<u>\$ 287</u>	<u>\$ 2,005</u>

### 7. Goodwill and Intangible Assets, Net

A summary of the change in the carrying amount of goodwill is as follows (in thousands):

	Goodwill Carrying Amount
Balance at October 31, 2021	\$ 1,527
Foreign currency translation adjustment	(7)
Balance at April 30, 2022	<u>\$ 1,520</u>

Goodwill is tested for impairment on an annual basis or when an event or changes in circumstances indicate that its carrying value may not be recoverable. There have been no impairment charges recorded against goodwill as of April 30, 2022.

During the six months ended April 30, 2021, the Company acquired additional water rights in Chile for \$186,000.

# LIMONEIRA COMPANY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

### 7. Goodwill and Intangible Assets, Net (continued)

Intangible assets consisted of the following (in thousands):

	April 30, 2022				October 31, 2021			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Useful Life in Years	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Useful Life in Years
Trade names and trademarks	\$ 2,108	(771)	1,337	8	\$ 2,108	\$ (663)	\$ 1,445	8
Customer relationships	4,037	(1,434)	2,603	9	4,037	(1,209)	2,828	9
Non-competition agreement	437	(50)	387	8	437	(22)	415	8
Acquired water and mineral rights	3,546	—	3,546	Indefinite	3,641	—	3,641	Indefinite
	<u>\$ 10,128</u>	<u>\$ (2,255)</u>	<u>\$ 7,873</u>		<u>\$ 10,223</u>	<u>\$ (1,894)</u>	<u>\$ 8,329</u>	

Amortization expense totaled \$180,000 and \$263,000 for the three months ended April 30, 2022 and 2021, respectively. Amortization expense totaled \$361,000 and \$526,000 for the six months ended April 30, 2022 and 2021, respectively.

Estimated future amortization expense of intangible assets as of April 30, 2022 is as follows (in thousands):

2022 (excluding the six months ended April 30, 2022)	\$	362
2023		724
2024		716
2025		711
2026		711
Thereafter		1,103
	<u>\$</u>	<u>4,327</u>

### 8. Other Assets

#### Investments in Mutual Water Companies

The Company's investments in various not-for-profit mutual water companies provide it with the right to receive a proportionate share of water from each of the not-for-profit mutual water companies that have been invested in and do not constitute voting shares and/or rights. As of April 30, 2022 and October 31, 2021, \$6,484,000 and \$5,994,000, respectively, were included in other assets.

### 9. Accrued Liabilities

Accrued liabilities consist of the following (in thousands):

	April 30, 2022	October 31, 2021
Compensation	\$ 2,392	\$ 2,112
Property taxes	14	676
Operating expenses	2,343	1,203
Leases	795	604
Other	1,258	1,947
	<u>\$ 6,802</u>	<u>\$ 6,542</u>

## LIMONEIRA COMPANY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

#### 10. Long-Term Debt

Long-term debt is comprised of the following (in thousands):

	April 30, 2022	October 31, 2021
Farm Credit West revolving and non-revolving lines of credit: the interest rate of the revolving line of credit is variable based on the one-month London Interbank Offered Rate ("LIBOR"), which was 0.45% at April 30, 2022, plus 1.75%. The interest rate for the \$40.0 million outstanding balance of the non-revolving line of credit is fixed at 4.77% through July 1, 2022, 3.57% through July 1, 2025 and variable thereafter. Interest is payable monthly and the principal is due in full on July 1, 2026.	\$ 114,797	\$ 111,293
Farm Credit West revolving equity line of credit: the interest rate is variable based on the Lender's variable interest rate plan, which was 2.75% at April 30, 2022. The loan is payable in interest-only monthly payments through April 2023 and monthly principal and interest payments thereafter, through February 2043.	4,305	—
Farm Credit West term loan: The interest rate is fixed at 2.48%. The loan is payable in quarterly installments through November 2022.	488	809
Farm Credit West term loan: The interest rate is fixed at 3.24%. The loan is payable in monthly installments through October 2035.	947	974
Farm Credit West term loan: The interest rate is fixed at 3.24%. The loan is payable in monthly installments through March 2036.	7,784	8,004
Farm Credit West term loan: The interest rate is fixed at 2.77% until July 1, 2025, becoming variable for the remainder of the loan. The loan is payable in monthly installments through March 2036.	5,725	5,892
Farm Credit West term loan: Effective August 2, 2021, the interest rate was fixed at 3.19%. The loan is payable in monthly installments through September 2026.	2,240	2,475
Banco de Chile term loan: the interest rate is fixed at 6.48%. The loan is payable in annual installments through January 2025.	764	1,011
Note Payable: the interest rate ranges from 5.00% to 7.00% and was 7.00% at April 30, 2022. The loan includes interest only monthly payments and principal is due in February 2023.	1,435	1,435
Banco de Chile COVID-19 loans: The interest rates are fixed at 3.48%. The loans are payable in monthly installments through September 2024.	325	411
Banco de Chile COVID-19 loans: The interest rates are fixed at 3.48% and 4.26%. The loans are payable in monthly installments through September 2026.	552	652
Subtotal	139,362	132,956
Less deferred financing costs, net of accumulated amortization	109	131
Total long-term debt, net	139,253	132,825
Less current portion	3,678	2,472
Long-term debt, less current portion	\$ 135,575	\$ 130,353

In June 2021, the Company entered into a Master Loan Agreement (the "MLA") with Farm Credit West, PCA (the "Lender") dated June 1, 2021, together with a revolving credit facility supplement (the "Revolving Credit Supplement"), a non-revolving credit facility supplement (the "Non-Revolving Credit Supplement," and together with the Revolving Credit Supplement, the "Supplements") and an agreement to convert to fixed interest rate for a period of time as described in the table above ("Fixed Interest Rate Agreement"). The MLA governs the terms of the Supplements. The MLA amends and restates the previous Master Loan Agreement between the Company and the Lender, dated June 19, 2017 and extends the principal repayment to July 1, 2026.

In March 2020, the Company entered into a revolving equity line of credit promissory note and loan agreement with the Lender for a \$15,000,000 Revolving Equity Line of Credit (the "RELOC") secured by a first lien on the Windfall Investors, LLC property. The RELOC matures in 2043 and features a 3-year draw period followed by 20 years of fully amortized loan payments.

The Supplements and RELOC provide aggregate borrowing capacity of \$130,000,000 comprised of \$75,000,000 under the Revolving Credit Supplement, \$40,000,000 under the Non-Revolving Credit Supplement and \$15,000,000 under the RELOC.

As of April 30, 2022, the Company's outstanding borrowings under the Supplements and RELOC were \$119,102,000 and it had \$10,898,000 available to borrow.



## LIMONEIRA COMPANY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

#### 10. Long-Term Debt (continued)

The interest rate in effect under the Revolving Credit Supplement automatically adjusted commencing July 1, 2021 and on the first day of each month thereafter. The interest rate for any amount outstanding under the Revolving Credit Supplement will be based on the one-month LIBOR rate plus or minus an applicable margin. The applicable margin will range from 1.75% to 2.35% depending on the ratio of current assets, plus the remaining available commitment divided by current liabilities. On July 1, 2022, and on each one-year anniversary thereafter, the Company has the option to convert the interest rate in use under the Revolving Credit Supplement from the preceding LIBOR-based calculation to a variable interest rate. The Company may prepay any amounts outstanding under the Revolving Credit Supplement without penalty.

The initial interest rate in effect under the Non-Revolving Credit Supplement is a fixed interest rate of 4.77% through July 1, 2022 and then will convert to a fixed interest rate of 3.57% per year until July 1, 2025 (the "Fixed Rate Term"). Thereafter, the interest rate will convert to a variable interest rate established by the Lender corresponding to the applicable interest rate group. The Company may not prepay any amounts under the outstanding Non-Revolving Credit Supplement during the Fixed Rate Term. Thereafter, the Company may prepay any amounts outstanding under the Non-Revolving Credit Supplement, provided that a fee equal to 0.50% of the amount prepaid and any other cost or loss suffered by the Lender must be paid with any prepayment.

The interest rate in effect under the RELOC is a variable interest rate established by the Lender corresponding to the applicable interest rate group, which was 2.75% as of April 30, 2022. The interest rate may be adjusted automatically under the provisions of the Lender's variable interest rate plan. The Company may prepay any amounts outstanding under the RELOC without penalty.

All indebtedness under the MLA and RELOC, including any indebtedness under the Supplements, is secured by a first lien on Company-owned stock or participation certificates, Company funds maintained with the Lender, the Lender's unallocated surplus, and certain of the Company's agricultural properties in Tulare and Ventura counties in California and certain of the Company's building fixtures and improvements and investments in mutual water companies associated with the pledged agricultural properties. The MLA includes customary default provisions that provide should an event of default occur, the Lender, at its option, may declare all or any portion of the indebtedness under the MLA to be immediately due and payable without demand, notice of nonpayment, protest or prior recourse to collateral, and terminate or suspend the Company's right to draw or request funds on any loan or line of credit.

The MLA subjects the Company to affirmative and restrictive covenants including, among other customary covenants, financial reporting requirements, requirements to maintain and repair any collateral, restrictions on the sale of assets, restrictions on the use of proceeds, prohibitions on the incurrence of additional debt and restrictions on the purchase or sale of major assets of the Company's business. The Company is also subject to a financial covenant that requires it to maintain compliance with a specific debt service coverage ratio greater than or equal to 1.25:1 when measured at October 31, 2022 and annually thereafter.

In December 2021, the Lender declared an annual cash patronage dividend of 1.25% of average eligible loan balances and the Company received the aggregate of \$1,582,000 in March and April 2022. In December 2020, Farm Credit West declared an annual cash patronage dividend of 1.50% of average eligible loan balances and the Company received \$1,170,000 in February 2021.

Interest is capitalized on non-bearing orchards, real estate development projects and significant construction in progress. The Company capitalized interest of zero and \$308,000 during the three months ended April 30, 2022 and 2021, respectively, and zero and \$308,000 during the six months ended April 30, 2022 and 2021, respectively. Capitalized interest is included in property, plant and equipment and real estate development assets in the Company's consolidated balance sheets.

#### 11. Leases

##### Lessor Arrangements

The Company enters into leasing transactions in which it rents certain of its assets and the Company is the lessor. These lease contracts are typically classified as operating leases with remaining terms ranging from one month to 21 years, with various renewal terms available. All of the residential rentals have month-to-month lease terms.

# LIMONEIRA COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

## 11. Leases (continued)

### Lessor Arrangements (continued)

The Company's rental operations revenue consists of the following (in thousands):

	Three Months Ended April 30,		Six Months Ended April 30,	
	2022	2021	2022	2021
Operating lease revenue	\$ 1,295	\$ 1,070	\$ 2,413	\$ 2,129
Variable lease revenue	86	73	159	152
Total lease revenue	\$ 1,381	\$ 1,143	\$ 2,572	\$ 2,281

### Lessee Arrangements

The Company enters into leasing transactions in which the Company is the lessee. These lease contracts are classified as either operating or finance leases. The Company's lease contracts are generally for agricultural land and packinghouse and farming equipment with remaining lease terms ranging from one to 16 years, with various term extensions available. The Company's lease agreements do not contain any residual value guarantees or material restrictive covenants. Leases with an initial term of 12 months or less are not recorded on the balance sheet and the Company recognizes lease expense for these leases on a straight-line basis over the lease term.

Operating lease costs were \$135,000 and \$136,000 for the three months ended April 30, 2022 and 2021, respectively, and \$258,000 and \$278,000 for the six months ended April 30, 2022 and 2021, respectively, which are primarily included in agribusiness costs and expenses in the Company's consolidated statements of operations. Finance lease costs were \$98,000 and zero for the three months ended April 30, 2022 and 2021, respectively, and \$156,000 and zero for the six months ended April 30, 2022 and 2021, respectively, which are primarily included in agribusiness costs and expenses in the Company's consolidated statements of operations. Variable and short term lease costs were immaterial.

Supplemental balance sheet information related to leases consists of the following (in thousands):

	Classification	April 30, 2022	October 31, 2021
<b>Assets</b>			
Operating lease ROU assets	Other assets	\$ 2,177	\$ 2,041
Finance lease assets	Other assets	2,036	1,142
Total lease assets		\$ 4,213	\$ 3,183
<b>Liabilities and Stockholders' Equity</b>			
Current operating lease liabilities	Accrued liabilities and payables to related parties	\$ 456	\$ 488
Current finance lease liabilities	Accrued liabilities	473	249
Non-current operating lease liabilities	Other long-term liabilities	1,757	1,648
Non-current finance lease liabilities	Other long-term liabilities	1,512	884
Total lease liabilities		\$ 4,198	\$ 3,269

# LIMONEIRA COMPANY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

### 11. Leases (continued)

#### Lessee Arrangements (continued)

Supplemental cash flow information related to leases consists of the following (in thousands):

	Three Months Ended April 30,		Six Months Ended April 30,	
	2022	2021	2022	2021
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>				
Operating cash outflows from operating leases	\$ 126	\$ 121	\$ 315	\$ 310
Operating cash outflows from finance leases	\$ 18	\$ —	\$ 30	\$ —
Financing cash outflows from finance leases	\$ 100	\$ —	\$ 169	\$ —
ROU assets obtained in exchange for new operating lease liabilities	\$ 62	\$ —	\$ 350	\$ 271
Leased assets obtained in exchange for new finance lease liabilities	\$ —	\$ —	\$ 1,020	\$ —

### 12. Basic and Diluted Net Income (Loss) per Share

Basic net income (loss) per common share is calculated using the weighted-average number of common shares outstanding during the period without consideration of the dilutive effect of conversion of preferred stock. Diluted net income (loss) per common share is calculated using the weighted-average number of common shares outstanding during the period plus the dilutive effect of unvested, restricted stock and conversion of preferred stock. The computations for basic and diluted net loss per common share are as follows (in thousands, except per share amounts):

	Three Months Ended April 30,		Six Months Ended April 30,	
	2022	2021	2022	2021
<b>Basic net income (loss) per common share:</b>				
Net income (loss) applicable to common stock	\$ 1,435	\$ 1,807	\$ (5,208)	\$ (2,526)
Less: Earnings allocated to unvested, restricted stock	(15)	(17)	(29)	(35)
Numerator: Net income (loss) for basic EPS	1,420	1,790	(5,237)	(2,561)
Denominator: Weighted average common shares-basic	17,511	17,461	17,461	17,429
Basic net income (loss) per common share	<u>\$ 0.08</u>	<u>\$ 0.10</u>	<u>\$ (0.30)</u>	<u>\$ (0.15)</u>
<b>Diluted net income (loss) per common share:</b>				
Net income (loss) for basic EPS	\$ 1,420	\$ 1,790	\$ (5,237)	\$ (2,561)
Effect of dilutive unvested, restricted stock and preferred stock	\$ —	\$ —	—	—
Numerator: Net income (loss) for diluted EPS	\$ 1,420	\$ 1,790	\$ (5,237)	\$ (2,561)
Weighted average common shares-basic	17,511	17,461	17,461	17,429
Effect of dilutive unvested, restricted stock and preferred stock	—	—	—	—
Denominator: Weighted average common shares-diluted	17,511	17,461	17,461	17,429
Diluted net income (loss) per common share	<u>\$ 0.08</u>	<u>\$ 0.10</u>	<u>\$ (0.30)</u>	<u>\$ (0.15)</u>

Diluted net income (loss) per common share is computed using the more dilutive method of either the two-class method or the treasury stock method. Unvested stock-based compensation awards that contain non-forfeitable rights to dividends as participating shares are included in computing earnings per share. The Company's unvested, restricted stock awards qualify as participating shares. Diluted net loss per common share was calculated under the two-class method for the three and six months ended April 30, 2022. The Company excluded 178,000, unvested, restricted shares, as calculated under the treasury stock method, from its computation of diluted net loss per common share for the three months ended April 30, 2021 and 185,000 for the six months ended April 30, 2021.

# LIMONEIRA COMPANY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

### 13. Related Party Transactions

The Company has transactions with equity method investments and various related parties summarized in Note 6 - Equity in Investments and in the tables below (in thousands):

Ref	Related Party	April 30, 2022				October 31, 2021			
		Balance Sheet				Balance Sheet			
		Receivable/Other from Related Parties	Other Assets	Payables to Related Parties	Other Long-Term Liabilities	Receivable/Other from Related Parties	Other Assets	Payables to Related Parties	Other Long-Term Liabilities
2	Mutual water companies	\$ —	\$ 490	\$ 532	\$ —	\$ —	\$ 432	\$ 40	\$ —
3	Cooperative association	\$ —	\$ —	\$ 47	\$ —	\$ —	\$ —	\$ 19	\$ —
5	Cadiz / Fenner / WAM	\$ —	\$ 1,328	\$ 329	\$ 1,238	\$ —	\$ 1,386	\$ 273	\$ 1,297
8	FGF	\$ 4,901	\$ 980	\$ 832	\$ —	\$ 4,598	\$ 980	\$ 832	\$ —
9	LLCB	\$ —	\$ —	\$ 5,771	\$ —	\$ —	\$ —	\$ 5,771	\$ —
11	Third-party growers	\$ —	\$ —	\$ 55	\$ —	\$ —	\$ —	\$ 41	\$ —

Ref	Related Party	Three Months Ended April 30, 2022				Three Months Ended April 30, 2021			
		Consolidated Statement of Operations				Consolidated Statement of Operations			
		Net Revenue Agribusiness	Net Revenue Rental Operations	Agribusiness Expense and Other	Dividends Paid	Net Revenue Agribusiness	Net Revenue Rental Operations	Agribusiness Expense and Other	Dividends Paid
1	Employees	\$ —	\$ 219	\$ —	\$ —	\$ —	\$ 206	\$ —	\$ —
2	Mutual water companies	\$ —	\$ —	\$ 355	\$ —	\$ —	\$ —	\$ 163	\$ —
3	Cooperative association	\$ —	\$ —	\$ 419	\$ —	\$ —	\$ —	\$ 369	\$ —
4	Calavo	\$ —	\$ —	\$ —	\$ —	\$ 2,553	\$ 78	\$ 279	\$ 126
5	Cadiz / Fenner / WAM	\$ —	\$ —	\$ 472	\$ —	\$ —	\$ —	\$ 85	\$ —
7	YMIDD	\$ —	\$ —	\$ 62	\$ —	\$ —	\$ —	\$ 53	\$ —
8	FGF	\$ 83	\$ 171	\$ —	\$ —	\$ 884	\$ —	\$ 970	\$ —
10	Freska	\$ —	\$ —	\$ —	\$ —	\$ 96	\$ —	\$ 142	\$ —
11	Third-party growers	\$ 104	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 116	\$ —

Ref	Related Party	Six Months Ended April 30, 2022				Six Months Ended April 30, 2021			
		Consolidated Statement of Operations				Consolidated Statement of Operations			
		Net Revenue Agribusiness	Net Revenue Rental Operations	Agribusiness Expense and Other	Dividends Paid	Net Revenue Agribusiness	Net Revenue Rental Operations	Agribusiness Expense and Other	Dividends Paid
1	Employees	\$ —	\$ 430	\$ —	\$ —	\$ —	\$ 404	\$ —	\$ —
2	Mutual water companies	\$ —	\$ —	\$ 494	\$ —	\$ —	\$ —	\$ 605	\$ —
3	Cooperative association	\$ —	\$ —	\$ 784	\$ —	\$ —	\$ —	\$ 526	\$ —
4	Calavo	\$ —	\$ 80	\$ 2	\$ 126	\$ 2,553	\$ 157	\$ 280	\$ 252
5	Cadiz / Fenner / WAM	\$ —	\$ —	\$ 1,189	\$ —	\$ —	\$ —	\$ 235	\$ —
6	Colorado River Growers	\$ —	\$ —	\$ —	\$ —	\$ 157	\$ —	\$ 2,772	\$ —
7	YMIDD	\$ —	\$ —	\$ 76	\$ —	\$ —	\$ —	\$ 62	\$ —
8	FGF	\$ 165	\$ 171	\$ —	\$ —	\$ 2,555	\$ —	\$ 1,228	\$ —
10	Freska	\$ —	\$ —	\$ —	\$ —	\$ 96	\$ —	\$ 142	\$ —
11	Third-party growers	\$ 104	\$ —	\$ 12	\$ —	\$ —	\$ —	\$ 116	\$ —

<sup>(1)</sup> Employees - The Company rents certain of its residential housing assets to employees on a month-to-month basis and recorded rental income from employees. There were no rental payments due from employees at April 30, 2022 or October 31, 2021.

<sup>(2)</sup> Mutual water companies - The Company has representation on the boards of directors of the mutual water companies in which the Company has investments, refer to Note 8 - Other Assets. The Company recorded capital contributions, purchased water and water delivery services and had water payments due to the mutual water companies.

## LIMONEIRA COMPANY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

#### 13. Related Party Transactions (continued)

<sup>(3)</sup> Cooperative association - The Company has representation on the board of directors of a non-profit cooperative association that provides pest control services for the agricultural industry. The Company purchased services and supplies from and had payments due to the cooperative association.

<sup>(4)</sup> Calavo - Through January 2022, the Company had representation on the board of directors of Calavo. Calavo owns common stock of the Company and the Company pays dividends on such common stock to Calavo. Additionally, the Company leases office space to Calavo. As of February 2022, Calavo is no longer a related party.

<sup>(5)</sup> Cadiz / Fenner / WAM - A member of the Company's board of directors serves as the CEO, President and a member of the board of directors of Cadiz, Inc. In 2013, the Company entered a long-term lease agreement (the "Lease") with Cadiz Real Estate, LLC ("Cadiz"), a wholly owned subsidiary of Cadiz, Inc., and currently leases 670 acres located in eastern San Bernardino County, California. The annual base rental is equal to the sum of \$200 per planted acre and 20% of gross revenues from the sale of harvested lemons (less operating expenses), not to exceed \$1,200 per acre per year. In 2016, Cadiz assigned this lease to Fenner Valley Farms, LLC ("Fenner"), a subsidiary of Water Asset Management, LLC ("WAM"). An affiliate of WAM is the holder of 9,300 shares of the Company's Series B-2 convertible preferred stock. Upon the adoption of ASC 842, the Company recorded a right-of-use, or ROU asset and corresponding lease liability.

<sup>(6)</sup> Colorado River Growers, Inc. ("CRG") - The Company had representation on the board of directors of CRG, a non-profit cooperative association of fruit growers engaged in the agricultural harvesting business in Yuma County, Arizona. CRG was dissolved in August 2021. The Company paid harvest expense to CRG and provided harvest management and administrative services to CRG.

<sup>(7)</sup> Yuma Mesa Irrigation and Drainage District ("YMIDD") - The Company has representation on the board of directors of YMIDD. The Company purchased water from YMIDD and had immaterial amounts payable to them for such purchases.

<sup>(8)</sup> FGF - The Company advances funds to FGF for fruit purchases, which are recorded as an asset until the sales occur and the remaining proceeds become due to FGF. Additionally, FGF provided farming, packing, by-product processing and administrative services to Trapani Fresh. The Company had a receivable from FGF for lemon sales and the sale of packing supplies and a payable due to FGF for fruit purchases and services. The Company records revenue related to the licensing of intangible assets to FGF. Effective November 1, 2021, the Company leases Finca Santa Clara to FGF and records rental revenue related to the leased land.

<sup>(9)</sup> LLCB - Refer to Note 5 - Real Estate Development.

<sup>(10)</sup> Freska - A member of the Company's board of directors is a majority shareholder of Freska Produce International, LLC ("Freska"). The Company had avocado sales to Freska and corresponding receivables for such sales.

<sup>(11)</sup> Third-party growers - A member of the Company's board of directors markets lemons through the Company. The Company had payments due to the member for such lemon procurement.

#### 14. Income Taxes

The effective tax rate for the six months ended April 30, 2022 was higher than the federal statutory tax rate of 21% mainly due to foreign jurisdictions that are taxed at different rates, state taxes, tax impact of stock-based compensation, and nondeductible tax items. The Company has no material uncertain tax positions as of April 30, 2022. The Company recognizes interest expense and penalties related to income tax matters as a component of income tax expense. There was no accrued interest or penalties associated with uncertain tax positions as of April 30, 2022.

#### 15. Retirement Plans

The Limoneira Company Retirement Plan (the "Plan") is a noncontributory, defined benefit, single employer pension plan, which provides retirement benefits for all eligible employees. Benefits paid by the Plan are calculated based on years of service, highest five-year average earnings, primary Social Security benefit and retirement age. Effective June 2004, the Company froze the Plan and no additional benefits accrued to participants subsequent to that date. The Plan is administered by Wells Fargo Bank and Mercer Human Resource Consulting. In fiscal year 2021, the Company terminated the Plan effective December 31, 2021.

# LIMONEIRA COMPANY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

### 15. Retirement Plans (continued)

The Plan was funded consistent with the funding requirements of federal law and regulations. There were no funding contributions during the six months ended April 30, 2022 and 2021. Plan assets are invested in a group trust consisting primarily of pooled funds, mutual funds, short-term investment funds and cash.

The components of net periodic pension cost for the Plan for the three and six months ended April 30, 2022 and 2021 were as follows (in thousands):

	Three Months Ended April 30,		Six Months Ended April 30,	
	2022	2021	2022	2021
Administrative expenses	\$ 179	\$ 69	\$ 359	\$ 138
Interest cost	130	138	260	275
Expected return on plan assets	(128)	(236)	(255)	(472)
Prior service cost	11	11	22	22
Recognized actuarial loss	100	184	199	368
Net periodic benefit cost	<u>\$ 292</u>	<u>\$ 166</u>	<u>\$ 585</u>	<u>\$ 331</u>

### 16. Commitments and Contingencies

The Company is from time to time involved in various lawsuits and legal proceedings that arise in the ordinary course of business. At this time, the Company is not aware of any pending or threatened litigation against it that it expects will have a material adverse effect on its business, financial condition, liquidity, or operating results. Legal claims are inherently uncertain, however, and it is possible that the Company's business, financial condition, liquidity and/or operating results could be adversely affected in the future by legal proceedings.

The Company is party to a lawsuit, initiated on March 27, 2018, against Southern California Edison in Superior Court of the State of California, County of Los Angeles whereby the Company is claiming unspecified damages, attorneys' fees and other costs, as a result from the Thomas Fire in fiscal year 2018. While the outcome of this lawsuit is uncertain, the Company believes its claim for damages is valid.

### 17. Stock-based Compensation and Treasury Stock

#### Stock-based Compensation

The Company has a stock-based compensation plan (the "Stock Plan") that allows for the grant of common stock of the Company to members of management, key executives and non-employee directors. The fair value of such awards is based on the fair value of the Company's stock on the date of grant and all are classified as equity awards.

#### Performance Awards

Certain restricted stock grants are made to management each December under the Stock Plan based on the achievement of certain annual financial performance and other criteria achieved during the previous fiscal year ("Performance Awards"). The Performance Awards are based on a percentage of the employee's base salary divided by the stock price on the grant date once the performance criteria has been met, and generally vest over a two-year period as service is provided. There were no Performance Awards granted for fiscal year 2021 because the financial performance and other criteria were not met.

#### Executive Awards

Certain restricted stock grants are made to key executives under the Stock Plan ("Executive Awards"). Executive awards generally vest over a three to five-year period as service is provided. During December 2021, the Company granted 70,000 shares of common stock with a per share price of \$14.96 to key executives under the Stock Plan, of which 15,000 shares were forfeited on February 1, 2022 pursuant to a key executive's severance agreement. The related compensation expense after forfeiture of approximately \$823,000 will be recognized equally over the next three years as the shares vest.

## LIMONEIRA COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

### 17. Stock-based Compensation and Treasury Stock (continued)

#### Stock-based Compensation (continued)

##### *Director Awards*

On an annual basis, the Company generally issues shares of common stock to non-employee directors under the Stock Plan (“Director Awards”). During March 2022, 46,279 shares of common stock were granted as Director Awards, which vest over a one-year period from date of grant. The related stock-based compensation of approximately \$627,000 will be recognized equally over the next year as the shares vest. During January 2021, 27,815 shares of common stock were granted as Director Awards that vested upon grant. The Company recognized \$469,000 of stock-based compensation to non-employee directors during the six months ended 2021.

During the six months ended April 30, 2022 and 2021, members of management exchanged 68,080 and 46,993 shares of common stock with fair values of \$1,086,000 and \$701,000, respectively, at the date of the exchanges, for the payment of payroll taxes associated with the vesting of shares under the Stock Plan.

#### Treasury Stock

##### *Share Repurchase Program*

In fiscal year 2021, the Company's Board of Directors approved a share repurchase program authorizing the Company to repurchase up to \$10,000,000 of its outstanding shares of common stock through September 2022. No shares have been repurchased under this program.

### 18. Segment Information

The Company operates in four reportable operating segments: fresh lemons, lemon packing, avocados and other agribusiness. The reportable operating segments of the Company are strategic business units with different products and services, distribution processes and customer bases. The fresh lemons segment includes sales, farming and harvesting expenses and third-party grower and supplier costs relative to fresh lemons. The lemon packing segment includes packing revenues and shipping and handling revenues relative to lemon packing. The lemon packing segment expenses are comprised of lemon packing costs. The lemon packing segment revenues include intersegment revenues between fresh lemons and lemon packing. The intersegment revenues are included gross in the segment note and a separate line item is shown as an elimination. The avocados segment includes sales, farming and harvest costs. The other agribusiness segment includes sales, farming and harvest costs of oranges, specialty citrus and other crops.

Revenues related to rental operations are included in “Corporate and Other.” Other agribusiness revenues consisted of oranges of \$2,617,000 and \$3,490,000 and specialty citrus and other crops of \$1,441,000 and \$2,317,000 for the three and six months ended April 30, 2022, respectively. Other agribusiness revenues consisted of oranges of \$1,404,000 and \$2,495,000 and specialty citrus and other crops of \$1,175,000 and \$3,024,000 for the three and six months ended April 30, 2021, respectively.

The Company does not separately allocate depreciation and amortization to its fresh lemons, lemon packing, avocados and other agribusiness segments. No asset information is provided for reportable operating segments, as these specified amounts are not included in the measure of segment profit or loss reviewed by the Company's chief operating decision maker. The Company measures operating performance, including revenues and operating income, of its operating segments and allocates resources based on its evaluation. The Company does not allocate selling, general and administrative expense, total other income (expense) and income taxes, or specifically identify them to its operating segments. The Company earns packing revenue for packing lemons grown on its orchards and lemons procured from third-party growers and suppliers. Intersegment revenues represent packing revenues related to lemons grown on the Company's orchards.

# LIMONEIRA COMPANY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

### 18. Segment Information (continued)

Segment information for the three months ended April 30, 2022 (in thousands):

	Fresh Lemons	Lemon Packing	Eliminations	Avocados	Other Agribusiness	Total Agribusiness	Corporate and Other	Total
Revenues from external customers	\$ 30,992	\$ 6,743	\$ —	\$ 3,576	\$ 4,058	\$ 45,369	\$ 1,381	\$ 46,750
Intersegment revenue	—	9,373	(9,373)	—	—	—	—	—
Total net revenues	30,992	16,116	(9,373)	3,576	4,058	45,369	1,381	46,750
Costs and expenses	27,222	11,662	(9,373)	2,073	3,828	35,412	6,269	41,681
Depreciation and amortization	—	—	—	—	—	2,187	296	2,483
Operating income (loss)	\$ 3,770	\$ 4,454	\$ —	\$ 1,503	\$ 230	\$ 7,770	\$ (5,184)	\$ 2,586

Segment information for the three months ended April 30, 2021 (in thousands):

	Fresh Lemons	Lemon Packing	Eliminations	Avocados	Other Agribusiness	Total Agribusiness	Corporate and Other	Total
Revenues from external customers	\$ 32,600	\$ 6,103	\$ —	\$ 2,707	\$ 2,579	\$ 43,989	\$ 1,143	\$ 45,132
Intersegment revenue	—	9,282	(9,282)	—	—	—	—	—
Total net revenues	32,600	15,385	(9,282)	2,707	2,579	43,989	1,143	45,132
Costs and expenses	28,629	10,874	(9,282)	1,433	2,503	34,157	6,039	40,196
Depreciation and amortization	—	—	—	—	—	2,285	267	2,552
Operating income (loss)	\$ 3,971	\$ 4,511	\$ —	\$ 1,274	\$ 76	\$ 7,547	\$ (5,163)	\$ 2,384

Segment information for the six months ended April 30, 2022 in thousands):

	Fresh Lemons	Lemon Packing	Eliminations	Avocados	Other Agribusiness	Total Agribusiness	Corporate and Other	Total
Revenues from external customers	\$ 60,592	\$ 12,711	\$ —	\$ 4,342	\$ 5,807	\$ 83,452	\$ 2,572	\$ 86,024
Intersegment revenue	—	15,962	(15,962)	—	—	—	—	—
Total net revenues	60,592	28,673	(15,962)	4,342	5,807	83,452	2,572	86,024
Costs and expenses	59,383	22,218	(15,962)	2,394	6,438	74,471	13,562	88,033
Depreciation and amortization	—	—	—	—	—	4,372	591	4,963
Operating income (loss)	\$ 1,209	\$ 6,455	\$ —	\$ 1,948	\$ (631)	\$ 4,609	\$ (11,581)	\$ (6,972)

Segment information for the six months ended April 30, 2021 in thousands):

	Fresh Lemons	Lemon Packing	Eliminations	Avocados	Other Agribusiness	Total Agribusiness	Corporate and Other	Total
Revenues from external customers	\$ 61,900	\$ 11,000	\$ —	\$ 2,707	\$ 5,519	\$ 81,126	\$ 2,281	\$ 83,407
Intersegment revenue	—	15,967	(15,967)	—	—	—	—	—
Total net revenues	61,900	26,967	(15,967)	2,707	5,519	81,126	2,281	83,407
Costs and expenses	58,136	20,405	(15,967)	1,433	4,876	68,883	12,727	81,610
Depreciation and amortization	—	—	—	—	—	4,497	556	5,053
Operating income (loss)	\$ 3,764	\$ 6,562	\$ —	\$ 1,274	\$ 643	\$ 7,746	\$ (11,002)	\$ (3,256)

### 19. Subsequent Events

The Company has evaluated events subsequent to April 30, 2022 through the date of this filing, to assess the need for potential recognition or disclosure in this Quarterly Report on Form 10-Q. Based upon this evaluation, except as described in the notes to the interim consolidated financial statements, it was determined that no other subsequent events occurred that require recognition or disclosure in the unaudited consolidated financial statements.



## ***Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations***

### **Overview**

Limoneira Company, a Delaware corporation, is the successor to several businesses with operations in California since 1893. We are primarily an agribusiness company founded and based in Santa Paula, California, committed to responsibly using and managing our approximately 15,400 acres of land, water resources and other assets to maximize long-term stockholder value. Our current operations consist of fruit production, sales and marketing, rental operations, real estate and capital investment activities.

We are one of California's oldest citrus growers. According to Sunkist Growers, Inc. ("Sunkist"), we are one of the largest growers of lemons in the United States and, according to the California Avocado Commission, one of the largest growers of avocados in the United States. In addition to growing lemons and avocados, we grow oranges and a variety of specialty citrus and other crops. We have agricultural plantings throughout Ventura, Tulare, San Luis Obispo and San Bernardino Counties in California, Yuma County in Arizona, La Serena, Chile and Jujuy, Argentina, which collectively consist of approximately 6,100 acres of lemons, 800 acres of avocados, 1,000 acres of oranges and 900 acres of specialty citrus and other crops. We also operate our own packinghouses in Santa Paula and Oxnard, California and Yuma, Arizona, where we process, pack and sell lemons that we grow, as well as lemons grown by others. We have a 47% interest in Rosales S.A. ("Rosales"), a citrus packing, marketing and sales business, a 90% interest in Fruticola Pan de Azucar S.A. ("PDA"), a lemon and orange orchard and 100% interest in Agricola San Pablo, SpA ("San Pablo"), a lemon and orange orchard, all of which are located near La Serena, Chile. We have a 51% interest in a joint venture, Trapani Fresh Consorcio de Cooperacion ("Trapani Fresh"), a lemon orchard in Argentina.

Our water resources include water rights, usage rights and pumping rights to the water in aquifers under, and canals that run through, the land we own. Water for our farming operations is sourced from the existing water resources associated with our land, which includes rights to water in the adjudicated Santa Paula Basin (aquifer) and the un-adjudicated Fillmore and Paso Robles Basins (aquifers). We use ground water from the San Joaquin Valley Basin and water from local water and irrigation districts in Tulare County, which is in California's San Joaquin Valley. We also use ground water from the Cadiz Valley Basin in California's San Bernardino County and surface water in Arizona from the Colorado River through the Yuma Mesa Irrigation and Drainage District ("YMIDD"). We use ground water provided by wells and surface water for our PDA and San Pablo farming operations in Chile and our Trapani Fresh farming operations in Argentina.

For more than 100 years, we have been making strategic investments in California agriculture and real estate. We currently have an interest in three real estate development projects in California. These projects include multi-family housing and single-family homes of approximately 900 units in various stages of planning and development.

### **Business Division Summary**

We have three business divisions: agribusiness, rental operations and real estate development. The agribusiness division is comprised of four reportable operating segments: fresh lemons, lemon packing, avocados and other agribusiness, which includes oranges, specialty citrus and other crops. The agribusiness division includes our core operations of farming, harvesting, lemon packing and lemon sales operations. The rental operations division includes our residential and commercial rentals, leased land operations and organic recycling. The real estate development division includes our investments in real estate development projects. Financial information and discussion of our four reportable segments are contained in the notes to the accompanying consolidated financial statements of this Quarterly Report on Form 10-Q.

### ***Agribusiness Summary***

We market and sell citrus directly to our food service, wholesale and retail customers throughout the United States, Canada, Asia, Australia, Europe and certain other international markets. We are one of the largest growers of lemons and avocados in the United States. In fiscal year 2021, we sold a majority of our avocados to Calavo Growers, Inc. ("Calavo"). Additionally, we sell our pistachios to a roaster, packager and marketer of nuts, and our wine grapes to various wine producers.

Historically, our agribusiness division has been seasonal in nature with quarterly revenue fluctuating depending on the timing and variety of crops being harvested. Cultural costs in our agribusiness division tend to be higher in the first and second quarters and lower in the third and fourth quarters because of the timing of expensing cultural costs in the current year that were inventoried in the prior year. Our harvest costs generally increase in the second quarter and peak in the third quarter, coinciding with the increasing production and revenue.

Fluctuations in price are a function of global supply and demand with weather conditions, such as unusually low temperatures, typically having the most dramatic effect on the amount of lemons supplied in any individual growing season. We believe we have a

competitive advantage by maintaining our own lemon packing operations, even though a significant portion of the costs related to these operations are fixed. As a result, cost per carton is a function of fruit throughput. While we regularly monitor our costs for redundancies and opportunities for cost reductions, we also supplement the number of lemons we pack in our packinghouse with additional lemons procured from other growers. Because the fresh utilization rate for our lemons, or percentage of lemons we harvest and pack that are sold to the fresh market, is directly related to the quality of lemons we pack and, consequently, the price we receive per 40-pound box, we only pack lemons from other growers if we determine their lemons are of good quality.

Our avocado producing business is important to us, yet it faces constraints on growth as there is little additional land with sufficient water that can be cost-effectively acquired to support new avocado orchards in Southern California. Also, avocado production is cyclical as avocados typically bear fruit on a bi-annual basis with large crops in one year followed by smaller crops the next year. While our avocado production can be volatile, the profitability and cash flow realized from our avocados helps to diversify our fruit production base.

In addition to growing lemons and avocados, we grow oranges, specialty citrus and other crops, typically utilizing land not suitable for growing high quality lemons. We regularly monitor the demand for the fruit we grow in the ever-changing marketplace to identify trends. For instance, while per capita consumption of oranges in the United States has been decreasing since 2000 primarily as a result of consumers increasing their consumption of mandarin oranges and other specialty citrus, the international market demand for U.S. oranges has increased. As a result, we have focused our orange production on high quality late season Navel oranges primarily for export to Japan, China and Korea, which are typically highly profitable niche markets. We produce our specialty citrus and other crops in response to identified consumer trends and believe that we are a leader in the niche production and sale of certain of these high margin fruits. We carefully monitor the respective markets of specialty citrus and other crops and we believe that demand for the types and varieties of specialty citrus and other crops that we grow will continue to increase throughout the world.

### ***Rental Operations Summary***

Our rental operations include our residential and commercial rentals, leased land operations and organic recycling. Our residential rental units generate reliable cash flows that we use to partially fund the operating costs of our business and provide affordable housing to many of our employees, including our agribusiness employees. This unique employment benefit helps us maintain a dependable, long-term employee base. In addition, our leased land business provides us with a typically profitable diversification. Revenue from rental operations is generally level throughout the year.

### ***Real Estate Development Summary***

We invest in real estate investment projects and recognize that long-term strategies are required for successful real estate development activities. Our goal is to redeploy real estate earnings and cash flow into the expansion of our agribusiness and other income producing real estate. For real estate development projects and joint ventures, it is not unusual for the timing and amounts of revenues and costs, partner contributions and distributions, project loans, other financing assumptions and project cash flows to be impacted by government approvals, project revenue and cost estimates and assumptions, economic conditions, financing sources and product demand as well as other factors. Such factors could affect our results of operations, cash flows and liquidity.

### ***Water and Mineral Rights***

Our water resources include water rights, usage rights and pumping rights to the water in aquifers under, and canals that run through, the land we own. Water for our farming operations is sourced from the existing water resources associated with our land, which includes rights to water in the adjudicated Santa Paula Basin (aquifer) and the un-adjudicated Fillmore and Paso Robles Basins (aquifers). We use ground water and water from local water districts in Tulare County and ground water in San Bernardino County. Following our acquisition of Associated Citrus Packers, Inc. ("Associated"), we began using federal project water in Arizona from the Colorado River through the YMIDD. We also have acquired water rights in Chile related to our acquisitions of PDA and San Pablo.

We use a combination of ground water provided by wells that derive water from the San Joaquin Valley Basin and water from various water districts and irrigation districts in Tulare County, California, which is in the agriculturally productive San Joaquin Valley. We use ground water provided by wells which derive water from the Cadiz Valley Basin at the Cadiz Ranch in San Bernardino County, California. Our Windfall Farms property located in San Luis Obispo County, California obtains water from wells that derive water from the Paso Robles Basin. Our Associated farming operations in Yuma, Arizona source water from the Colorado River through the YMIDD, where we have access to approximately 11,700-acre feet of Class 3 Colorado River water rights. We use ground water provided by wells and surface water for our PDA and San Pablo farming operations in La Serena, Chile and our Trapani Fresh farming operations in Argentina.

California has experienced below average precipitation since 2018. According to the U.S. Drought Monitor, Ventura and San Bernardino Counties were experiencing severe drought conditions and Tulare County was experiencing extreme drought conditions as of April 30, 2022. In October 2021, the California Governor declared a drought state of emergency statewide. Federal officials who oversee the Central Valley Project, California's largest water delivery system, allocated 0% of the contracted amount of water to San Joaquin Valley farmers in 2022 compared to 5% in 2021 and 100% in 2017 through 2020. We are assessing the impact these reductions may have on our California orchards.

In August 2021, the U.S. Bureau of Reclamation declared a Level 1 Shortage Condition at Lake Mead in the Lower Colorado River Basin for the first time ever, requiring shortage reductions and water savings contributions for states in the southwest. Beginning January 1, 2022, Arizona experienced water releases from Lake Mead reduced by approximately 18% of the state's annual apportionment. We are assessing the impact these reductions may have on our Arizona orchards.

### **Recent Developments**

We are equal partners in a joint venture with The Lewis Group of Companies ("Lewis") for the residential development of our East Area I real estate development project and formed Limoneira Lewis Community Builders, LLC ("LLCB") as the development entity. LLCB has closed on lot sales representing 586 units from inception through April 30, 2022. For further information see Note 5 – Real Estate Development of the notes to consolidated financial statements included in this Quarterly Report on Form 10-Q.

In September 2021, we signed a Memorandum of Understanding with Wileman Bros. & Elliott, Inc. ("Wileman"), to form an alliance to sell their combined citrus volumes under Limoneira's One World of Citrus trademark. Wileman is a 95-year-old citrus business located in California's Central Valley with a focus on oranges, mandarins and specialty citrus. Effective November 1, 2021, the majority of our oranges and certain specialty citrus are packed by Wileman.

In February 2022, we terminated our Avocado Marketing Agreement and the associated Letter Agreement Regarding Fruit Commitment with Calavo to pursue opportunities with other packing and marketing companies.

In January 2022, we were notified of Alex M. Teague's decision to retire as Senior Vice President and Chief Operating Officer of our Company, effective February 1, 2022. In connection with his retirement, we entered into a separation agreement with Mr. Teague whereas, (i) Mr. Teague was paid one year of his annual base salary, which was paid in one lump sum within ninety (90) business days of January 12, 2022; (ii) twenty-three thousand nine hundred ninety-nine (23,999) shares of our common stock granted to Mr. Teague pursuant to the Limoneira Company Omnibus Incentive Plan fully vested; and (iii) Mr. Teague will receive certain other benefits as set forth in the agreement. As of April 30, 2022, we paid \$0.4 million cash severance and recognized \$0.3 million accelerated vesting of stock-based compensation.

In March 2022, we signed an agreement to lease Finca Santa Clara, our 1,200-acre lemon ranch in Argentina, to FGF Trapani ("FGF"), our 49% partner in Trapani Fresh. The lease is retroactive beginning November 1, 2021, with a term of 14 months at a fixed sum of \$400,000, payable in five equal, monthly installments beginning August 2022 until December 2022.

In April 2022, the promissory note previously received for the sale of our Centennial property, with net a carrying value of \$2,350,000, was paid in full and the deferred gain of \$161,000 was recognized in the second quarter of fiscal year 2022.

On March 23, 2022, we declared a cash dividend of \$0.075 per common share paid on April 14, 2022, in the aggregate amount of \$1.3 million to stockholders of record as of April 5, 2022.

### **COVID-19 Pandemic**

The COVID-19 pandemic has had an adverse impact on the industries and markets in which we conduct business. In particular, the United States lemon market saw a significant decline in volume, with lemon demand falling since widespread shelter in place orders were issued in March 2020, resulting in a significant market oversupply. The export market for fresh produce also significantly

declined due to the COVID-19 pandemic impacts. As of April 30, 2022, the demand within both markets is recovering but has not yet returned to pre-pandemic levels.

The decline in demand for our products beginning the second quarter of fiscal year 2020, which we believe was due to the COVID-19 pandemic, negatively impacted our sales and profitability for the last three quarters of fiscal year 2020, all of fiscal year 2021, and the first two quarters of fiscal year 2022. We also expect COVID-19 to impact our sales and profitability in future periods. The duration of these trends and the magnitude of such impacts cannot be estimated at this time, as they are influenced by a number of factors, many of which are outside management's control, including, but not limited, to those presented in Item 1A Risk Factors of our Annual Report on Form 10-K for the year ended October 31, 2021. Notwithstanding the adverse impacts and subject to unforeseen changes that may arise as the COVID-19 pandemic continues, we currently expect improvement in fiscal year 2022 compared to fiscal year 2021.

Given the economic uncertainty as a result of the COVID-19 pandemic over the past two years, we have taken actions to improve our current liquidity position, including temporarily postponing capital expenditures, selling equity securities to increase cash, reducing operating costs, and substantially reducing discretionary spending.

Although we are considered an essential business, there is significant uncertainty around the breadth and duration of our business disruptions related to the COVID-19 pandemic, as well as its impact on the U.S. economy, the ongoing business operations of our customers and our results of operations and financial condition. Our management team is actively monitoring the impacts of the COVID-19 pandemic and may take further actions altering our business operations that we determine are in the best interests of our employees and customers or as required by federal, state, or local authorities. The full impact of the COVID-19 pandemic on our results of operations, financial condition, or liquidity for fiscal year 2022 and beyond cannot be fully estimated at this point. The following discussions are subject to the future effects of the COVID-19 pandemic on our ongoing business operations.

## Results of Operations

The following table shows the results of operations (in thousands):

	Three Months Ended April 30,		Six Months Ended April 30,	
	2022	2021	2022	2021
<b>Revenues:</b>				
Agribusiness	\$ 45,369	\$ 43,989	\$ 83,452	\$ 81,126
Other operations	1,381	1,143	2,572	2,281
Total net revenues	46,750	45,132	86,024	83,407
<b>Costs and expenses:</b>				
Agribusiness	37,599	36,442	78,843	73,380
Other operations	1,093	1,090	2,167	2,172
Loss on disposal of assets, net	346	—	261	—
Selling, general and administrative	5,126	5,216	11,725	11,111
Total costs and expenses	44,164	42,748	92,996	86,663
<b>Operating income (loss):</b>				
Agribusiness	7,770	7,547	4,609	7,746
Other operations	288	53	405	109
Loss on disposal of assets, net	(346)	—	(261)	—
Selling, general and administrative	(5,126)	(5,216)	(11,725)	(11,111)
Operating income (loss)	2,586	2,384	(6,972)	(3,256)
<b>Other (expense) income:</b>				
Interest income	27	25	48	68
Interest expense, net of patronage dividends	(696)	(622)	(481)	(488)
Equity in earnings of investments, net	299	643	350	1,009
Other income, net	78	57	93	51
Total other (expense) income	(292)	103	10	640
Income (loss) before income tax (expense) benefit	2,294	2,487	(6,962)	(2,616)
Income tax (expense) benefit	(722)	(974)	1,928	213
Net income (loss)	1,572	1,513	(5,034)	(2,403)
Net (income) loss attributable to noncontrolling interest	(11)	420	77	128
Net income (loss) attributable to Limoneira Company	\$ 1,561	\$ 1,933	\$ (4,957)	\$ (2,275)

## Non-GAAP Financial Measures

Due to significant depreciable assets associated with the nature of our operations and interest costs associated with our capital structure, management believes that earnings before interest, income taxes, depreciation and amortization (“EBITDA”) and adjusted EBITDA, which excludes named executive officer severance and loss (gain) on disposal of assets, are important measures to evaluate our results of operations between periods on a more comparable basis. Such measurements are not prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and should not be construed as an alternative to reported results determined in accordance with GAAP. The non-GAAP information provided is unique to us and may not be consistent with methodologies used by other companies.

EBITDA and adjusted EBITDA are summarized and reconciled to net income (loss) attributable to Limoneira Company which management considers to be the most directly comparable financial measure calculated and presented in accordance with GAAP as follows (in thousands):

	Three Months Ended April 30,		Six Months Ended April 30,	
	2022	2021	2022	2021
Net income (loss) attributable to Limoneira Company	\$ 1,561	\$ 1,933	\$ (4,957)	\$ (2,275)
Interest income	(27)	(25)	(48)	(68)
Interest expense, net of patronage dividends	696	622	481	488
Income tax expense (benefit)	722	974	(1,928)	(213)
Depreciation and amortization	2,483	2,552	4,963	5,053
EBITDA	\$ 5,435	\$ 6,056	\$ (1,489)	\$ 2,985
Named executive officer severance	—	—	770	—
Loss (gain) on disposal of assets, net	346	(16)	261	(16)
Adjusted EBITDA	\$ 5,781	\$ 6,040	\$ (458)	\$ 2,969

### Three Months Ended April 30, 2022 Compared to the Three Months Ended April 30, 2021

#### Revenues

Total net revenues for the three months ended April 30, 2022 were \$46.8 million, compared to \$45.1 million for the three months ended April 30, 2021. The 4% increase of \$1.6 million was primarily the result of increased avocados and oranges agribusiness revenues, partially offset by decreased lemon agribusiness revenues, as detailed below (\$ in thousands):

	Agribusiness Revenues for the Three Months Ended April 30,			
	2022	2021	Change	
Lemons	\$ 37,735	\$ 38,703	\$ (968)	(3)%
Avocados	3,576	2,707	869	32%
Oranges	2,617	1,404	1,213	86%
Specialty citrus and other crops	1,441	1,175	266	23%
Agribusiness revenues	\$ 45,369	\$ 43,989	\$ 1,380	3%

- Lemons: The decrease in the second quarter of fiscal year 2022 was primarily the result of lower prices, partially offset by higher volume of fresh lemons sold, compared to the same period of fiscal year 2021. During the second quarter of fiscal years 2022 and 2021, fresh lemon sales were \$27.3 million and \$28.7 million, in aggregate, on 1,552,000 and 1,528,000 cartons of lemons sold at average per carton prices of \$17.57 and \$18.79, respectively. Lemon revenues in the second quarter of fiscal years 2022 and 2021 included shipping and handling of \$6.7 million and \$6.1 million, brokered fruit and other lemon sales of \$2.7 million and \$2.3 million and lemon by-product sales of \$1.1 million and \$1.6 million, respectively.
- Avocados: The increase in the second quarter of fiscal year 2022 was primarily the result of higher prices, partially offset by decreased volume of avocados sold, compared to the same period of fiscal year 2021. During the second quarter of fiscal years 2022 and 2021, 1,877,000 and 2,142,000 pounds of avocados were sold at an average per pound price of \$1.90 and \$1.26, respectively.
- Oranges: The increase in the second quarter of fiscal year 2022 was primarily the result of increased volume, partially offset by lower prices of oranges sold, compared to the same period of fiscal year 2021. In the second quarter of fiscal years 2022 and 2021, we sold 328,000 and 154,000 40-pound carton equivalents of oranges at an average per carton price of \$7.98 and \$9.12, respectively.
- Specialty citrus and other crops: The increase in the second quarter of fiscal year 2022 was primarily the result of increased volume, partially offset by lower prices of specialty citrus sold, compared to the same period of fiscal year 2021. During the second quarter of fiscal years 2022 and 2021, we sold 254,000 and 129,000 40-pound carton equivalents of specialty citrus at an average per carton price of \$5.68 and \$9.11, respectively.

Other operations revenue in the second quarter of fiscal years 2022 and 2021 was \$1.4 million and \$1.1 million, respectively.

## Costs and Expenses

Our total costs and expenses in the second quarter of fiscal year 2022 were \$44.2 million, compared to \$42.7 million in the same period of fiscal year 2021. The 3% increase of \$1.4 million was primarily attributable to increases in our packing costs and growing costs, partially offset by decreases in our third-party grower and supplier costs. Costs and expenses associated with our agribusiness division include packing costs, harvest costs, growing costs, costs related to the fruit we procure and sell for third-party growers and suppliers and depreciation and amortization expense, as detailed below (\$ in thousands):

	Agribusiness Costs and Expenses for the Three Months Ended April 30,				
	2022		2021		Change
Packing costs	\$	12,277	\$	11,653	\$ 624 5%
Harvest costs		5,566		5,520	46 1%
Growing costs		7,997		6,713	1,284 19%
Third-party grower and supplier costs		9,572		10,271	(699) (7)%
Depreciation and amortization		2,187		2,285	(98) (4)%
Agribusiness costs and expenses	\$	37,599	\$	36,442	\$ 1,157 3%

- **Packing costs:** Packing costs primarily consist of the costs to pack lemons for sale such as labor and benefits, cardboard cartons, fruit treatments, packing and shipping supplies and facility operating costs. In the second quarter of fiscal years 2022 and 2021, lemon packing costs were \$11.7 million and \$10.9 million, respectively. During the second quarter of fiscal years 2022 and 2021, we packed and sold 1,552,000 and 1,528,000 cartons of lemons at average per carton costs of \$7.51 and \$7.12, respectively. The increase in average per carton cost is primarily due to costs of labor and benefits, cardboard cartons, fruit treatments and packaging and shipping supplies from inflation and supply chain issues. Additionally, in the second quarter of fiscal years 2022 and 2021, packing costs included \$0.6 million and \$0.8 million of shipping costs, respectively.
- **Harvest costs:** Harvest costs in the second quarter of fiscal year 2022 were similar to the same period in fiscal year 2021.
- **Growing costs:** Growing costs, also referred to as cultural costs, consist of orchard maintenance costs such as cultivation, fertilization and soil amendments, pest control, pruning and irrigation. The increase in the second quarter of fiscal year 2022 was primarily due to farm management decisions based on weather, harvest timing and crop conditions and inflation and supply chain issues.
- **Third-party grower and supplier costs:** We sell fruit that we grow and fruit that we procure from other growers and suppliers. The cost of procuring fruit from other growers is referred to as third-party grower and supplier costs. The decrease in the second quarter of fiscal year 2022 was primarily due to lower prices, partially offset by increased volume of third-party grower fruit sold, compared to the same period of fiscal year 2021. Of the 1,552,000 and 1,528,000 cartons of lemons packed and sold during the second quarter of fiscal years 2022 and 2021, 795,000 (51%) and 758,000 (50%) were procured from third-party growers at average per carton prices of \$10.13 and \$12.92, respectively. Additionally, in the second quarter of fiscal years 2022 and 2021 we incurred \$1.5 million and \$0.5 million, respectively, of costs for purchased, packed fruit for resale.
- **Depreciation and amortization:** Depreciation and amortization expense for the second quarter of fiscal years 2022 and 2021 was \$2.2 million and \$2.3 million, respectively.

Other operations expenses were \$1.1 million in the second quarter of fiscal years 2022 and 2021.

Selling, general and administrative costs and expenses were \$5.1 million in the second quarter of fiscal year 2022 compared to \$5.2 million in the second quarter of fiscal year 2021.

## Other (Expense) Income

Other expense in the second quarter of fiscal year 2022 was comprised primarily of \$(0.7) million of net interest expense, partially offset by \$0.3 million of equity in earnings of investments. Other income in the second quarter of fiscal year 2021 was comprised primarily of \$0.6 million of equity in earnings of investments, partially offset by \$(0.6) million of net interest expense.

## Income Taxes

We recorded an estimated income tax provision of \$0.7 million and \$1.0 million in the second quarter of fiscal years 2022 and 2021 on pre-tax income of \$2.3 million and \$2.5 million, respectively. The tax provision recorded for the second quarter of fiscal year 2022 differs from the U.S. federal statutory tax rate of 21.0% due primarily to foreign jurisdictions which are taxed at different rates, state taxes, tax impact of stock-based compensation, and nondeductible tax items. Our projected annual effective blended tax rate for fiscal year 2022, excluding discrete items, is approximately 32.5%.

## Net (Income) Loss Attributable to Noncontrolling Interest

Net (income) loss attributable to noncontrolling interest represents 10% and 49% of the net (income) loss of PDA and Trapani Fresh, respectively.

## Six Months Ended April 30, 2022 Compared to the Six Months Ended April 30, 2021

### Revenues

Total net revenues for the six months ended April 30, 2022 were \$86.0 million, compared to \$83.4 million for the six months ended April 30, 2021. The 3% increase of \$2.6 million was primarily the result of increased lemons, avocados and oranges agribusiness revenues, partially offset by decreased specialty citrus and other crops agribusiness revenues, as detailed below (\$ in thousands):

	Agribusiness Revenues for the Six Months Ended April 30,				
	2022		2021		Change
Lemons	\$	73,303	\$	72,900	\$ 403 1%
Avocados		4,342		2,707	1,635 60%
Oranges		3,490		2,495	995 40%
Specialty citrus and other crops		2,317		3,024	(707) (23)%
Agribusiness revenues	\$	83,452	\$	81,126	\$ 2,326 3%

- Lemons: The increase in the first six months of fiscal year 2022 was primarily the result of increased shipping and handling, partially offset by decreased fresh lemon sales, compared to the same period of fiscal year 2021. During the first six months of fiscal years 2022 and 2021, fresh lemon sales were \$52.0 million and \$53.7 million, in aggregate, on 2,759,000 and 2,847,000 cartons of lemons sold at average per carton prices of \$18.85 and \$18.85, respectively. Lemon revenues in the first six months of fiscal years 2022 and 2021 included shipping and handling of \$12.7 million and \$11.0 million, brokered fruit and other lemon sales of \$6.5 million and \$5.8 million and lemon by-product sales of \$2.1 million and \$2.5 million, respectively.
- Avocados: The increase in the first six months of fiscal year 2022 was primarily the result of higher prices and increased volume of avocados sold, compared to the same period of fiscal year 2021. During the first six months of fiscal years 2022 and 2021, 2,242,000 and 2,142,000 pounds of avocados were sold at an average per pound price of \$1.94 and \$1.26, respectively.
- Oranges: The increase in the first six months of fiscal year 2022 was primarily the result of increased volume and higher prices of oranges sold, compared to the same period of fiscal year 2021. In the first six months of fiscal years 2022 and 2021, we sold 381,000 and 273,000 40-pound carton equivalents of oranges at an average per carton price of \$9.16 and \$9.14, respectively.
- Specialty citrus and other crops: The decrease in the first six months of fiscal year 2022 was primarily the result of lower prices, partially offset by increased volume of specialty citrus sold, compared to the same period of fiscal year 2021. During the first six months of fiscal years 2022 and 2021, we sold 305,000 and 243,000 40-pound carton equivalents of specialty citrus at an average per carton price of \$7.45 and \$12.44, respectively.

Other operations revenue in the first six months of fiscal years 2022 and 2021 was \$2.6 million and \$2.3 million, respectively.

### Costs and Expenses

Our total costs and expenses in the first six months of fiscal year 2022 were \$93.0 million, compared to \$86.7 million in the same period of fiscal year 2021. The 7% increase of \$6.3 million was primarily attributable to increases in our packing costs, growing costs and third-party grower and supplier costs. Costs and expenses associated with our agribusiness division include packing costs, harvest costs, growing costs, costs related to the fruit we procure and sell for third-party growers and suppliers and depreciation and amortization expense, as detailed below (\$ in thousands):



**Agribusiness Costs and Expenses for the Six Months Ended April 30,**

	<b>2022</b>		<b>2021</b>		<b>Change</b>	
Packing costs	\$ 23,557	\$	22,030	\$	1,527	7%
Harvest costs	10,812		10,443		369	4%
Growing costs	16,275		14,825		1,450	10%
Third-party grower and supplier costs	23,827		21,585		2,242	10%
Depreciation and amortization	4,372		4,497		(125)	(3)%
Agribusiness costs and expenses	<u>\$ 78,843</u>	<u>\$</u>	<u>73,380</u>	<u>\$</u>	<u>5,463</u>	<u>7%</u>

- **Packing costs:** Packing costs primarily consist of the costs to pack lemons for sale such as labor and benefits, cardboard cartons, fruit treatments, packing and shipping supplies and facility operating costs. In the first six months of fiscal years 2022 and 2021, lemon packing costs were \$22.2 million and \$20.4 million, respectively. During the first six months of fiscal years 2022 and 2021, we packed and sold 2,759,000 and 2,847,000 cartons of lemons at average per carton costs of \$8.05 and \$7.17, respectively. The increase in average per carton cost is primarily due to costs of labor and benefits, cardboard cartons, fruit treatments and packaging and shipping supplies from inflation and supply chain issues. Additionally, in the first six months of fiscal years 2022 and 2021, packing costs included \$1.3 million and \$1.6 million of shipping costs, respectively.
- **Harvest costs:** Harvest costs in the first six months of fiscal year 2022 were similar to the same period in fiscal year 2021.
- **Growing costs:** Growing costs, also referred to as cultural costs, consist of orchard maintenance costs such as cultivation, fertilization and soil amendments, pest control, pruning and irrigation. The increase in the first six months of fiscal year 2022 was primarily due to farm management decisions based on weather, harvest timing and crop conditions and inflation and supply chain issues.
- **Third-party grower and supplier costs:** We sell fruit that we grow and fruit that we procure from other growers and suppliers. The cost of procuring fruit from other growers is referred to as third-party grower and supplier costs. The increase in the first six months of fiscal year 2022 was partially due to increased volume of third-party grower fruit sold, compared to the same period of fiscal year 2021. Of the 2,759,000 and 2,847,000 cartons of lemons packed and sold during the first six months of fiscal years 2022 and 2021, 1,488,000 (54%) and 1,394,000 (49%) were procured from third-party growers at average per carton prices of \$13.00 and \$13.70, respectively. Additionally, in the first six months of fiscal years 2022 and 2021, we incurred \$4.5 million and \$2.5 million, respectively, of costs for purchased, packed fruit for resale.
- **Depreciation and amortization:** Depreciation and amortization expense for the first six months of fiscal years 2022 and 2021 was \$4.4 million and \$4.5 million, respectively.

Other operations expenses were \$2.2 million in the first six months of fiscal years 2022 and 2021.

Selling, general and administrative costs and expenses were \$11.7 million in the first six months of fiscal year 2022 compared to \$11.1 million in the first six months of fiscal year 2021. The 6% increase of \$0.6 million primarily consisted of the following:

- Named executive officer severance for the first six months of fiscal year 2022 was \$0.7 million compared to zero in the same period of fiscal year 2021.
- Selling expenses for the first six months of fiscal year 2022 were \$0.2 million higher than the same period of fiscal year 2021.
- Other selling, general and administrative expenses, including certain corporate overhead expenses, for the first six months of fiscal year 2022 were \$0.4 million lower than the same period of fiscal year 2021.

**Other (Expense) Income**

Other income in the first six months of fiscal year 2022 was comprised primarily of \$0.4 million of equity in earnings of investments, partially offset by \$(0.4) million of net interest expense. Other income in the first six months of fiscal year 2021 was comprised primarily of \$1.0 million of equity in earnings of investments, partially offset by \$(0.4) million of net interest expense.

## Income Taxes

We recorded an estimated income tax benefit of \$1.9 million and \$0.2 million in the first six months of fiscal years 2022 and 2021 on pre-tax loss of \$7.0 million and \$2.6 million, respectively. The tax benefit recorded for the first six months of fiscal year 2022 differs from the U.S. federal statutory tax rate of 21.0% due primarily to foreign jurisdictions which are taxed at different rates, state taxes, tax impact of stock-based compensation, and nondeductible tax items. Our projected annual effective blended tax rate for fiscal year 2022, excluding discrete items, is approximately 32.5%.

## Net (Income) Loss Attributable to Noncontrolling Interest

Net (income) loss attributable to noncontrolling interest represents 10% and 49% of the net (income) loss of PDA and Trapani Fresh, respectively.

## Segment Results of Operations

We operate in four reportable operating segments: fresh lemons, lemon packing, avocados and other agribusiness. Our reportable operating segments are strategic business units with different products and services, distribution processes and customer bases. We evaluate the performance of our operating segments separately to monitor the different factors affecting financial results. Each segment is subject to review and evaluations related to current market conditions, market opportunities and available resources. See Note 18 - Segment Information of the notes to consolidated financial statements included in this Quarterly Report on Form 10-Q for additional information regarding our operating segments.

### Three Months Ended April 30, 2022 Compared to the Three Months Ended April 30, 2021

The following table shows the segment results of operations for the three months ended April 30, 2022 (in thousands):

	Fresh Lemons	Lemon Packing	Eliminations	Avocados	Other Agribusiness	Total Agribusiness	Corporate and Other	Total
Revenues from external customers	\$ 30,992	\$ 6,743	\$ —	\$ 3,576	\$ 4,058	\$ 45,369	\$ 1,381	\$ 46,750
Intersegment revenue	—	9,373	(9,373)	—	—	—	—	—
Total net revenues	30,992	16,116	(9,373)	3,576	4,058	45,369	1,381	46,750
Costs and expenses	27,222	11,662	(9,373)	2,073	3,828	35,412	6,269	41,681
Depreciation and amortization	—	—	—	—	—	2,187	296	2,483
Operating income (loss)	\$ 3,770	\$ 4,454	\$ —	\$ 1,503	\$ 230	\$ 7,770	\$ (5,184)	\$ 2,586

The following table shows the segment results of operations for the three months ended April 30, 2021 (in thousands):

	Fresh Lemons	Lemon Packing	Eliminations	Avocados	Other Agribusiness	Total Agribusiness	Corporate and Other	Total
Revenues from external customers	\$ 32,600	\$ 6,103	\$ —	\$ 2,707	\$ 2,579	\$ 43,989	\$ 1,143	\$ 45,132
Intersegment revenue	—	9,282	(9,282)	—	—	—	—	—
Total net revenues	32,600	15,385	(9,282)	2,707	2,579	43,989	1,143	45,132
Costs and expenses	28,629	10,874	(9,282)	1,433	2,503	34,157	6,039	40,196
Depreciation and amortization	—	—	—	—	—	2,285	267	2,552
Operating income (loss)	\$ 3,971	\$ 4,511	\$ —	\$ 1,274	\$ 76	\$ 7,547	\$ (5,163)	\$ 2,384

The following analysis should be read in conjunction with the previous section "Results of Operations."

### Fresh Lemons

Fresh lemons segment revenue is comprised of sales of fresh lemons, lemon by-products and brokered fruit and other lemon revenue such as purchased, packed fruit for resale. For the second quarter of fiscal years 2022 and 2021, our fresh lemons segment total net revenues were \$31.0 million and \$32.6 million, respectively. The 5% decrease of \$1.6 million was primarily due to a net decrease in fresh lemon sales of \$1.4 million.

Costs and expenses associated with our fresh lemons segment include growing costs, harvest costs and costs of lemons we procure from third-party growers and suppliers. For the second quarter of fiscal years 2022 and 2021, our fresh lemons segment costs and expenses were \$27.2 million and \$28.6 million, respectively. The 5% decrease of \$1.4 million primarily consisted of the following:

- Harvest costs for the second quarter of fiscal year 2022 were \$0.3 million lower than the same period of fiscal year 2021.
- Growing costs for the second quarter of fiscal year 2022 were \$0.2 million lower than the same period of fiscal year 2021.
- Third-party grower and supplier costs for the second quarter of fiscal year 2022 were \$0.8 million lower than the same period of fiscal year 2021.
- Transportation costs for the second quarter of fiscal year 2022 were \$0.2 million lower than the same period of fiscal year 2021.
- Intersegment costs and expenses for the second quarter of fiscal year 2022 were \$0.1 million higher than the same period of fiscal year 2021.

#### *Lemon Packing*

Lemon packing segment revenue is comprised of intersegment packing revenue and shipping and handling revenue. For the second quarter of fiscal years 2022 and 2021, our lemon packing segment total net revenues were \$16.1 million and \$15.4 million, respectively. The 5% increase of \$0.7 million was primarily due to increased price per carton of lemons packed.

Costs and expenses associated with our lemon packing segment consist of the cost to pack lemons for sale such as labor and benefits, cardboard cartons, fruit treatments, packing and shipping supplies and facility operating costs. For the second quarter of fiscal years 2022 and 2021, our lemon packing costs and expenses were \$11.7 million and \$10.9 million, respectively. The 7% increase of \$0.8 million was primarily due to increased costs of labor and benefits, cardboard cartons, fruit treatments and packaging and shipping supplies from inflation and supply chain issues.

For the second quarter of fiscal years 2022 and 2021, lemon packing segment operating income per carton sold was \$2.87 and \$2.95, respectively.

In the second quarter of fiscal years 2022 and 2021, the lemon packing segment included \$9.4 million and \$9.3 million, respectively, of intersegment revenues that were charged to the fresh lemons segment to pack lemons for sale. Such intersegment revenues and expenses are eliminated in our consolidated financial statements.

#### *Avocados*

For the second quarter of fiscal year 2022 and 2021, our avocados segment had revenues of \$3.6 million and \$2.7 million, respectively.

Costs and expenses associated with our avocados segment include growing and harvest costs. For the second quarter of fiscal years 2022 and 2021, our avocados segment costs and expenses were \$2.1 million and \$1.4 million, respectively. The increase of \$0.6 million primarily consisted of the following:

- Harvest costs for the second quarter of fiscal year 2022 were \$0.1 million higher than the same period of fiscal year 2021.
- Growing costs for the second quarter of fiscal year 2022 were \$0.5 million higher than the same period of fiscal year 2021.

#### *Other Agribusiness*

For the second quarter of fiscal years 2022 and 2021, our other agribusiness segment total net revenues were \$4.1 million and \$2.6 million, respectively. The 57% increase of \$1.5 million primarily consisted of the following:

- Orange revenues for the second quarter of fiscal year 2022 were \$1.2 million higher than the same period of fiscal year 2021.
- Specialty citrus and other crops revenues for the second quarter of fiscal year 2022 were \$0.3 million higher compared to the same period of fiscal year 2021.

Costs and expenses associated with our other agribusiness segment include growing costs, harvest costs and purchased fruit costs. For the second quarter of fiscal years 2022 and 2021, our other agribusiness costs and expenses were \$3.8 million and \$2.5 million, respectively. The 53% increase of \$1.3 million primarily consisted of the following:

- Harvest costs for the second quarter of fiscal year 2022 were \$0.2 million higher than the same period of fiscal year 2021.
- Growing costs for the second quarter of fiscal year 2022 were \$1.0 million higher than the same period of fiscal year 2021.

- Purchased fruit costs for the second quarter of fiscal year 2022 were \$0.1 million higher than the same period of fiscal year 2021.

Total agribusiness depreciation and amortization expenses for the second quarter of fiscal year 2022 were \$0.1 million lower than the same period of fiscal year 2021.

#### Corporate and Other

Our corporate and other operations had revenues of \$1.4 million and \$1.1 million for the second quarter of fiscal years 2022 and 2021, respectively.

Costs and expenses in our corporate and other operations for the second quarter of fiscal years 2022 and 2021 were approximately \$6.3 million and \$6.0 million, respectively, and include selling, general and administrative costs and expenses not allocated to the operating segments. Depreciation and amortization expenses for the second quarter of fiscal years 2022 and 2021 were similar at \$0.3 million.

#### Six Months Ended April 30, 2022 Compared to the Six Months Ended April 30, 2021

The following table shows the segment results of operations for the six months ended April 30, 2022 (in thousands):

	Fresh Lemons	Lemon Packing	Eliminations	Avocados	Other Agribusiness	Total Agribusiness	Corporate and Other	Total
Revenues from external customers	\$ 60,592	\$ 12,711	\$ —	\$ 4,342	\$ 5,807	\$ 83,452	\$ 2,572	\$ 86,024
Intersegment revenue	—	15,962	(15,962)	—	—	—	—	—
Total net revenues	60,592	28,673	(15,962)	4,342	5,807	83,452	2,572	86,024
Costs and expenses	59,383	22,218	(15,962)	2,394	6,438	74,471	13,562	88,033
Depreciation and amortization	—	—	—	—	—	4,372	591	4,963
Operating income (loss)	\$ 1,209	\$ 6,455	\$ —	\$ 1,948	\$ (631)	\$ 4,609	\$ (11,581)	\$ (6,972)

The following table shows the segment results of operations for the six months ended April 30, 2021 (in thousands):

	Fresh Lemons	Lemon Packing	Eliminations	Avocados	Other Agribusiness	Total Agribusiness	Corporate and Other	Total
Revenues from external customers	\$ 61,900	\$ 11,000	\$ —	\$ 2,707	\$ 5,519	\$ 81,126	\$ 2,281	\$ 83,407
Intersegment revenue	—	15,967	(15,967)	—	—	—	—	—
Total net revenues	61,900	26,967	(15,967)	2,707	5,519	81,126	2,281	83,407
Costs and expenses	58,136	20,405	(15,967)	1,433	4,876	68,883	12,727	81,610
Depreciation and amortization	—	—	—	—	—	4,497	556	5,053
Operating income (loss)	\$ 3,764	\$ 6,562	\$ —	\$ 1,274	\$ 643	\$ 7,746	\$ (11,002)	\$ (3,256)

The following analysis should be read in conjunction with the previous section "Results of Operations."

#### Fresh Lemons

Fresh lemons segment revenue is comprised of sales of fresh lemons, lemon by-products and other lemon revenue such as purchased, packed fruit for resale. For the first six months of fiscal years 2022 and 2021, our fresh lemons segment total net revenues were \$60.6 million and \$61.9 million, respectively. The 2% decrease of \$1.3 million was primarily due to a decrease in fresh lemon sales of \$1.7 million.

Costs and expenses associated with our fresh lemons segment include growing costs, harvest costs and costs of lemons we procure from third-party growers and suppliers. For the first six months of fiscal years 2022 and 2021, our fresh lemons segment costs and expenses were \$59.4 million and \$58.1 million, respectively. The 2% increase of \$1.2 million primarily consisted of the following:

- Harvest costs for the first six months of fiscal year 2022 were \$0.4 million higher than the same period of fiscal year 2021.
- Growing costs for the first six months of fiscal year 2022 were \$0.4 million lower than the same period of fiscal year 2021.
- Third-party grower and supplier costs for the first six months of fiscal year 2022 were \$1.5 million higher than the same period of fiscal year 2021.

- Transportation costs for the first six months of fiscal year 2022 were \$0.3 million lower than the same period of fiscal year 2021.

#### *Lemon Packing*

Lemon packing segment revenue is comprised of intersegment packing revenue and shipping and handling revenue. For the first six months of fiscal years 2022 and 2021, our lemon packing segment total net revenues were \$28.7 million and \$27.0 million, respectively. The 6% increase of \$1.7 million was primarily due to increased price per carton of lemons packed.

Costs and expenses associated with our lemon packing segment consist of the cost to pack lemons for sale such as labor and benefits, cardboard cartons, fruit treatments, packing and shipping supplies and facility operating costs. For the first six months of fiscal years 2022 and 2021, our lemon packing costs and expenses were \$22.2 million and \$20.4 million, respectively. The 9% increase of \$1.8 million was primarily due to increased costs of labor and benefits, cardboard cartons, fruit treatments and packaging and shipping supplies from inflation and supply chain issues.

For the first six months of fiscal years 2022 and 2021, lemon packing segment operating income per carton sold was \$2.34 and \$2.30, respectively.

In the first six months of fiscal years 2022 and 2021, the lemon packing segment included \$16.0 million of intersegment revenues that were charged to the fresh lemons segment to pack lemons for sale. Such intersegment revenues and expenses are eliminated in our consolidated financial statements.

#### *Avocados*

For the first six months of fiscal years 2022 and 2021, our avocados segment had revenues of \$4.3 million and \$2.7 million, respectively.

Costs and expenses associated with our avocados segment include growing and harvest costs. For the first six months of fiscal years 2022 and 2021, our avocados segment costs and expenses were \$2.4 million and \$1.4 million, respectively. The increase of \$1.0 million primarily consisted of the following:

- Harvest costs for the first six months of fiscal year 2022 were \$0.2 million higher than the same period of fiscal year 2021.
- Growing costs for the first six months of fiscal year 2022 were \$0.8 million higher than the same period of fiscal year 2021.

#### *Other Agribusiness*

For the first six months of fiscal years 2022 and 2021, our other agribusiness segment total net revenues were \$5.8 million and \$5.5 million, respectively. The 5% increase of \$0.3 million primarily consisted of the following:

- Orange revenues for the first six months of fiscal year 2022 were \$1.0 million higher than the same period of fiscal year 2021.
- Specialty citrus and other crops revenues for the first six months of fiscal year 2022 were \$0.7 million lower compared to the same period of fiscal year 2021.

Costs and expenses associated with our other agribusiness segment include growing costs, harvest costs and purchased fruit costs. For the first six months of fiscal years 2022 and 2021, our other agribusiness costs and expenses were \$6.4 million and \$4.9 million, respectively. The 32% increase of \$1.6 million primarily consisted of the following:

- Harvest costs for the first six months of fiscal year 2022 were \$0.2 million lower than the same period of fiscal year 2021.
- Growing costs for the first six months of fiscal year 2022 were \$1.0 million higher than the same period of fiscal year 2021.
- Purchased fruit costs for the first six months of fiscal year 2022 were \$0.7 million higher than the same period of fiscal year 2021.

Total agribusiness depreciation and amortization expenses for the first six months of fiscal year 2022 were \$0.1 million lower than the same period of fiscal year 2021.

### *Corporate and Other*

Our corporate and other operations had revenues of \$2.6 million and \$2.3 million for the first six months of fiscal years 2022 and 2021, respectively.

Costs and expenses in our corporate and other operations for the first six months of fiscal years 2022 and 2021 were approximately \$13.6 million and \$12.7 million, respectively, and include selling, general and administrative costs and expenses not allocated to the operating segments. Depreciation and amortization expenses for the first six months of fiscal years 2022 and 2021 were similar at \$0.6 million.

### **Seasonal Operations**

Historically, our agribusiness operations have been seasonal in nature with quarterly revenue fluctuating depending on the timing and the variety of crops being harvested. Cultural costs in our agribusiness tend to be higher in the first and second quarters and lower in the third and fourth quarters because of the timing of expensing cultural costs in the current year that were inventoried in the prior year. Our harvest costs generally increase in the second quarter and peak in the third quarter coinciding with the increasing production and revenue. Due to this seasonality and to avoid the inference that interim results are indicative of the estimated results for a full fiscal year, we present supplemental information for 12-month periods ended at the interim date for the current and preceding years.

## Results of Operations for the Trailing Twelve Months Ended April 30, 2022 and 2021

The following table shows the unaudited results of operations (in thousands):

	Trailing Twelve Months Ended April 30,	
	2022	2021
<b>Revenues:</b>		
Agribusiness	\$ 163,707	\$ 162,141
Other operations	4,937	4,598
Total revenues	168,644	166,739
<b>Costs and expenses:</b>		
Agribusiness	153,955	152,169
Other operations	4,327	4,290
Loss on disposal of assets, net	370	502
Selling, general and administrative	20,041	20,743
Total costs and expenses	178,693	177,704
Operating loss	(10,049)	(10,965)
<b>Other income:</b>		
Interest income	359	430
Interest expense, net of patronage dividends	(1,494)	(1,539)
Equity in earnings of investments, net	2,544	1,839
Other income, net	131	35
Total other income	1,540	765
Loss before income tax benefit	(8,509)	(10,200)
Income tax benefit	1,981	2,066
Net loss	(6,528)	(8,134)
Loss attributable to noncontrolling interest	405	734
Net loss attributable to Limoneira Company	\$ (6,123)	\$ (7,400)

The following analysis should be read in conjunction with the previous section "Results of Operations."

- Total revenues increased \$1.9 million in the twelve months ended April 30, 2022 compared to the twelve months ended April 30, 2021 primarily due to increased agribusiness revenues, particularly increased lemon sales.
- Total costs and expenses increased \$1.0 million in the twelve months ended April 30, 2022 compared to the twelve months ended April 30, 2021, primarily due to increases in our agribusiness costs, partially offset by decreases in selling, general and administrative expenses. The increase in agribusiness costs is primarily attributable to increased costs of growing and third-party grower and supplier fruit, partially offset by decreased packing and harvest costs. The decrease in selling, general and administrative expenses is primarily attributable to decreased corporate expenses associated with our strategic initiatives.
- Total other income increased \$0.8 million in the twelve months ended April 30, 2022 compared to the twelve months ended April 30, 2021 primarily due to increased equity in earnings of investments.
- Income tax benefit decreased \$0.1 million in the twelve months ended April 30, 2022 compared to the twelve months ended April 30, 2021 primarily due to the decrease in pre-tax loss of \$1.7 million.

## Liquidity and Capital Resources

### Overview

Our primary sources of liquidity are cash and cash flows generated from our operations and use of our revolving credit facility. Our liquidity and capital position fluctuates during the year depending on seasonal production cycles, weather events and demand for our products. Typically, our first and last fiscal quarters coincide with the fall and winter months during which we are growing crops that are harvested and sold in the spring and summer, which are our second and third quarters. To meet working capital demand and investment requirements of our agribusiness and real estate development projects and to supplement operating cash flows, we utilize our revolving credit facility to fund agricultural inputs and farm management practices until sufficient returns from crops allow us to repay amounts borrowed. Raw materials needed to propagate the various crops grown by us consist primarily of fertilizer, herbicides, insecticides, fuel and water, all of which are readily available from local sources.

Material contractual obligations arising in the normal course of business primarily consist of purchase obligations, long-term fixed rate and variable rate debt and related interest payments, operating and finance leases and our noncontributory, defined benefit pension plan (“the Plan”). In fiscal year 2021, we decided to terminate the Plan effective December 31, 2021. The liabilities disclosed as of April 30, 2022, reflect an estimate of the additional cost to pay lump sums to a portion of the active and vested terminated participants and purchase annuities for all remaining participants from an insurance company. See Note 10 - Long-Term Debt, Note 11 - Leases and Note 15 - Retirement Plans to the consolidated financial statements in this Quarterly Report on Form 10-Q for amounts outstanding as of April 30, 2022, related to debt, leases and the Plan. Purchase obligations consist of contracts primarily related to packing supplies and pollination services, the majority of which are due in the next three years.

We believe that the cash flows from operations and available borrowing capacity from our existing credit facilities will be sufficient to satisfy our capital expenditures, debt service, working capital needs and other contractual obligations for the next twelve months. In addition, we have the ability to control a portion of our investing cash flows to the extent necessary based on our liquidity demands.

### Cash Flows from Operating Activities

For the six months ended April 30, 2022, net cash used in operating activities was \$1.2 million, compared to net cash provided by operating activities of \$4.6 million for the six months ended April 30, 2021. The significant components of our cash flows used in operating activities were as follows:

- Net loss for the six months ended April 30, 2022 and 2021 was \$5.0 million and \$2.4 million, respectively. The components of net loss in the six months ended April 30, 2022, compared to the net loss in the same period in fiscal year 2021 consist of an increase in operating loss of \$3.7 million, a decrease in total other income of \$0.6 million and an increase in income tax benefit of \$1.7 million.
- Adjustments to reconcile net loss to net cash (used in) provided by operating activities:
  - Provided \$5.0 million and \$6.0 million in the six months ended April 30, 2022 and 2021, respectively, primarily due to depreciation and amortization, stock compensation expense and deferred income taxes.
  - Changes in operating assets and liabilities (used) provided \$(1.1) million and \$1.1 million of operating cash in the six months ended April 30, 2022 and 2021, respectively, primarily due to accounts receivables/other from related parties, cultural costs, prepaid expenses and other current assets and accrued liabilities and payables to related parties.

### Cash Flows from Investing Activities

For the six months ended April 30, 2022 and 2021, net cash used in investing activities was \$0.4 million and \$5.5 million, respectively.

- Capital expenditures were \$4.1 million in the six months ended April 30, 2022, comprised of \$3.9 million for property, plant and equipment primarily related to orchard development and \$0.2 million for real estate development projects.
- Capital expenditures were \$5.4 million in the six months ended April 30, 2021, comprised of \$5.2 million for property, plant and equipment primarily related to orchard and vineyard development and \$0.2 million for real estate development projects.



### ***Cash Flows from Financing Activities***

For the six months ended April 30, 2022 and 2021, net cash provided by financing activities was \$2.3 million and \$1.9 million, respectively.

- The \$2.3 million of cash provided by financing activities during the six months ended April 30, 2022 was primarily comprised of net borrowings of long-term debt in the amount of \$6.5 million, partially offset by common and preferred dividends, in aggregate, of \$2.9 million and the exchange of common stock of \$1.1 million.
- The \$1.9 million of cash provided by financing activities during the six months ended April 30, 2021 was primarily comprised of net borrowings of long-term debt in the amount of \$5.5 million, partially offset by common and preferred dividends, in aggregate, of \$2.9 million.

### ***Transactions Affecting Liquidity and Capital Resources***

#### *Credit Facilities and Long-Term Debt*

We finance our working capital and other liquidity requirements primarily through cash from operations and our Farm Credit West Credit Facility, which includes the MLA, Supplements and Revolving Equity Line of Credit (the "RELOC"). In addition, we have the Farm Credit West term loans, Banco de Chile term loans and COVID-19 loans, and a note payable to the sellers of a land parcel. Additional information regarding these loans and the note payable can be found in Note 10 - Long-Term Debt to the consolidated financial statements included in this Quarterly Report on Form 10-Q.

In June 2021, we entered into the MLA with the Lender dated June 1, 2021, together with the Supplements and a Fixed Interest Rate Agreement. The MLA governs the terms of the Supplements. The MLA amends and restates the previous Master Loan Agreement between us and the Lender, dated June 19, 2017 and extends the principal repayment to July 1, 2026.

The Supplements and RELOC provide aggregate borrowing capacity of \$130.0 million comprised of \$75.0 million under the Revolving Credit Supplement, \$40.0 million under the Non-Revolving Credit Supplement and \$15.0 million under the RELOC. As of April 30, 2022, our outstanding borrowings under the Farm Credit West Credit Facility and RELOC were \$119.1 million and we had \$10.9 million of availability.

The MLA subjects us to affirmative and restrictive covenants including, among other customary covenants, financial reporting requirements, requirements to maintain and repair any collateral, restrictions on the sale of assets, restrictions on the use of proceeds, prohibitions on the incurrence of additional debt and restrictions on the purchase or sale of major assets of our business. We are also subject to a financial covenant that requires us to maintain compliance with a specified debt service coverage ratio on an annual basis. In December 2021, the Lender modified the covenant to defer measurement at October 31, 2021 and revert to a debt service coverage ratio of 1.25:1.0 measured as of October 31, 2022. We expect to be in compliance with these covenants in fiscal year 2022.

In the first quarter of fiscal years 2022 and 2021, Farm Credit West declared an annual patronage dividend of \$1.6 million and \$1.2 million, respectively, which we received in the second quarter of fiscal years 2022 and 2021, respectively.

#### *Treasury Stock*

In fiscal year 2021, our Company's Board of Directors approved a share repurchase program authorizing us to repurchase up to \$10.0 million of our outstanding shares of common stock through September 2022. No shares have been repurchased under this program.

#### *Dividends*

The holders of the Series B Convertible Preferred Stock (the "Series B Stock") and the Series B-2 Preferred Stock (the "Series B-2 Preferred Stock") are entitled to receive cumulative cash dividends. Such preferred dividends paid were \$0.3 million in the six months ended April 30, 2022 and 2021, respectively.

Cash dividends declared in the six months ended April 30, 2022 and 2021 were \$0.15 per common share and such dividends paid were \$2.7 million in the six months ended April 30, 2022 and 2021.

### ***Off-Balance Sheet Arrangements***

As discussed in Note 7 – Real Estate Development and Note 8 – Equity in Investments of the notes to consolidated financial statements included in our fiscal year 2021 Annual Report on Form 10-K, we have investments in joint ventures and partnerships that are accounted for using the equity method of accounting.

### **Critical Accounting Estimates**

The preparation of our consolidated financial statements in accordance with GAAP requires us to develop critical accounting policies and make certain estimates, assumptions and judgments that may affect the reported amounts of assets, liabilities, revenues and expenses. We base our estimates and judgments on historical experience, available relevant data and other information that we believe to be reasonable under the circumstances, and we continue to review and evaluate these estimates. Actual results may materially differ from these estimates under different assumptions or conditions as new or additional information become available in future periods. During the six months ended April 30, 2022, our critical accounting policies and estimates have not changed since the filing of our Annual Report on Form 10-K as of October 31, 2021. Please refer to that filing for a description of our critical accounting policies and estimates.

### **Recent Accounting Pronouncements**

See Note 2 – Summary of Significant Accounting Policies of the notes to consolidated financial statements included in this Quarterly Report on Form 10-Q for information concerning recent accounting pronouncements.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

There have been no material changes in the disclosures discussed in the section entitled “Quantitative and Qualitative Disclosures about Market Risk” in Part II, Item 7A of our Annual Report on Form 10-K for the fiscal year ended October 31, 2021 as filed with the SEC on January 10, 2022.

**Item 4. Controls and Procedures**

**Disclosure Controls and Procedures.** As of April 30, 2022, we evaluated, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report on Form 10-Q.

**Changes in Internal Control over Financial Reporting.** There have been no material changes in our internal control over financial reporting during the period covered by this Quarterly Report on Form 10-Q or, to our knowledge, in other factors that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Limitations on the Effectiveness of Controls.** Control systems, no matter how well conceived and operated, are designed to provide a reasonable, but not an absolute, level of assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our Company have been detected. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

## **PART II. OTHER INFORMATION**

### ***Item 1. Legal Proceedings***

From time to time, we are a party to various lawsuits, arbitrations or mediations that arise in the ordinary course of business. The disclosure called for by Part II, Item 1 regarding our legal proceedings is incorporated by reference herein from Part I, Item 1 Note 16 - Commitments and Contingencies of the notes to the consolidated financial statements in this Quarterly Report on Form 10-Q for the quarter ended April 30, 2022.

### ***Item 1A. Risk Factors***

There has been no material changes in the disclosures discussed in the section entitled “Risk Factors” in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended October 31, 2021, as filed with the SEC on January 10, 2022.

### ***Item 2. Unregistered Sales of Equity Securities and Use of Proceeds***

#### **Issuer Purchases of Equity Securities**

During the second quarter of fiscal year 2022, we purchased shares of our common stock as follows:

<b>Period</b>	<b>Total Number of Shares Purchased(1)</b>	<b>Weighted Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)</b>	<b>Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs(2)</b>
February 1, 2022 - February 28, 2022	12,718	\$ 14.69	—	—
March 1, 2022 - March 31, 2022	—	\$ —	—	—
April 1, 2022 - April 30, 2022	—	\$ —	—	—
<b>Total</b>	<b>12,718</b>		—	—

(1) Shares were acquired from a retired employee in accordance with our stock-based compensation plan as a result of share withholdings to pay income tax related to the vesting and distribution of a restricted stock award.

(2) In fiscal year 2021, our Company's Board of Directors approved a share repurchase program authorizing us to repurchase up to \$10.0 million of our outstanding shares of common stock through September 2022. No shares have been repurchased under this program. As of April 30, 2022, the remaining authorization under this plan is \$10.0 million.

### ***Item 3. Defaults Upon Senior Securities***

None.

### ***Item 4. Mine Safety Disclosures***

Not applicable.

### ***Item 5. Other Information***

None.

**Item 6. Exhibits**

<b>Exhibit Number</b>	<b>Exhibit</b>
3.1	<a href="#"><u>Restated Certificate of Incorporation of Limoneira Company, dated July 5, 1990 (Incorporated by reference to exhibit 3.1 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))</u></a>
3.2	<a href="#"><u>Certificate of Merger of Limoneira Company and The Samuel Edwards Associates into Limoneira Company, dated October 31, 1990 (Incorporated by reference to exhibit 3.2 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))</u></a>
3.3	<a href="#"><u>Certificate of Merger of McKeveitt Corporation into Limoneira Company dated December 31, 1994 (Incorporated by reference to exhibit 3.3 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))</u></a>
3.4	<a href="#"><u>Agreement of Merger Between Ronald Michaelis Ranches, Inc. and Limoneira Company, dated June 24, 1997 (Incorporated by reference to exhibit 3.6 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))</u></a>
3.5	<a href="#"><u>Certificate of Amendment of Certificate of Incorporation of Limoneira Company, dated April 22, 2003 (Incorporated by reference to exhibit 3.7 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))</u></a>
3.6	<a href="#"><u>Certificate of Amendment of Certificate of Incorporation of Limoneira Company, dated March 24, 2010 (Incorporated by reference to exhibit 3.9 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))</u></a>
3.7	<a href="#"><u>Certificate of Amendment of Certificate of Incorporation of Limoneira Company, dated March 29, 2017 (Incorporated by reference to exhibit 3.1 to the Company's Current Report on Form 8-K, filed March 31, 2017 (File No. 001-34755))</u></a>
3.8	<a href="#"><u>Amended and Restated Bylaws of Limoneira Company (Incorporated by reference to exhibit 3.1 to the Company's Current Report on Form 8-K, filed October 27, 2021 (File No. 001-34755))</u></a>
4.1	<a href="#"><u>Specimen Certificate representing shares of Common Stock, par value \$0.01 per share (Incorporated by reference to exhibit 4.1 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))</u></a>
4.2	<a href="#"><u>Rights Agreement dated December 20, 2006 between Limoneira Company and The Bank of New York, as Rights Agent (Incorporated by reference to exhibit 4.2 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))</u></a>
4.3	<a href="#"><u>Certificate of Designation, Preferences and Rights of \$8.75 Voting Preferred Stock, \$100.00 Par Value, Series B of Limoneira Company, dated May 21, 1997 (Incorporated by reference to exhibit 3.4 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))</u></a>
4.4	<a href="#"><u>Amended Certificate of Designation, Preferences and Rights of \$8.75 Voting Preferred Stock, \$100.00 Par Value, Series B of Limoneira Company, dated May 21, 1997 (Incorporated by reference to exhibit 3.5 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))</u></a>
4.5	<a href="#"><u>Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock, \$.01 Par Value, of Limoneira Company, dated November 21, 2006 (Incorporated by reference to exhibit 3.8 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))</u></a>
4.6	<a href="#"><u>Certificate of Designation, Preferences and Rights of 4% Voting Preferred Stock, \$100.00 Par Value, Series B-2 of Limoneira Company, dated March 20, 2014 (Incorporated by reference to exhibit 3.1 to the Company's Current Report on Form 8-K, filed March 24, 2014 (File No. 001-34755))</u></a>

<b>Exhibit Number</b>	<b>Exhibit</b>
31.1*	<a href="#">Certification of the Principal Executive Officer pursuant to Exchange Act Rule 13a-14(a) and 15d-14(a)</a>
31.2*	<a href="#">Certification of the Principal Financial Officer pursuant to Exchange Act Rule 13a-14(a) and 15d-14(a)</a>
32.1*	<a href="#">Certification of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
32.2*	<a href="#">Certification of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
104	The cover page for the Company's Quarterly Report on Form 10-Q for the quarter ended April 30, 2022 has been formatted in Inline XBRL

\* Filed or furnished herewith,

In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release Nos. 33-8238 and 34-47986, Final Rule: Management's Report on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports, the certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

# LIMONEIRA COMPANY

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LIMONEIRA COMPANY

June 7, 2022

By: /s/ HAROLD S. EDWARDS  
Harold S. Edwards  
Director, President and Chief Executive Officer  
(Principal Executive Officer)

June 7, 2022

By: /s/ MARK PALAMOUNTAIN  
Mark Palamountain  
Chief Financial Officer,  
Treasurer and Corporate Secretary  
(Principal Financial and Accounting Officer)

**Certification of the Principal Executive Officer  
Pursuant to Exchange Act Rule 13a-14(a) and 15d-14(a)**

I, Harold S. Edwards, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Limoneira Company (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. The Registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

June 7, 2022

/s/ Harold S. Edwards

---

Harold S. Edwards,  
Director, President, and Chief Executive Officer  
(Principal Executive Officer)



**Certification of the Principal Financial Officer  
Pursuant to Exchange Act Rule 13a-14(a) and 15d-14(a)**

I, Mark Palamountain, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Limoneira Company (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. The Registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

June 7, 2022

/s/ Mark Palamountain

---

Mark Palamountain,  
Chief Financial Officer, Treasurer and Corporate Secretary  
(Principal Financial and Accounting Officer)

**Certification of the Principal Executive Officer  
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)**

In connection with the Quarterly Report on Form 10-Q for the quarter ended April 30, 2022 (the "Report") of Limoneira Company (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof, I, Harold S. Edwards, hereby certify that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

June 7, 2022

/s/ Harold S. Edwards

---

Harold S. Edwards,  
Director, President, and Chief Executive Officer  
(Principal Executive Officer)

**Certification of the Principal Financial Officer  
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)**

In connection with the Quarterly Report on Form 10-Q for the quarter ended April 30, 2022 (the "Report") of Limoneira Company (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof, I, Mark Palamountain, hereby certify that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

June 7, 2022

/s/ Mark Palamountain

---

Mark Palamountain,  
Chief Financial Officer, Treasurer and Corporate Secretary  
(Principal Financial and Accounting Officer)