

The background of the entire page is a soft-focus, high-key photograph of several lemon slices. The slices are arranged in a way that they appear to be floating or scattered, with some in sharp focus and others blurred. The colors are bright yellow and white, creating a clean and fresh aesthetic.

2009 ANNUAL REPORT

LIMONEIRA
SINCE 1893

PIONEERING FOR A BRIGHTER TOMORROW

The Limoneira Company has been a fixture in Ventura County for 117 years. reflects our company's entrepreneurial spirit as well as an optimistic outlook

Limoneira's Mission pays homage to our heritage and our motto for the many exciting opportunities on the horizon.

SENIOR MANAGEMENT left to right: ALEX M. TEAGUE Senior Vice President and Chief Operating Officer

HAROLD S. EDWARDS President & Chief Executive Officer DON P. DELMATOFF Vice President, Finance & Administration & Chief Financial Officer



BOARD OF DIRECTORS left to right: RONALD L. MICHAELIS JOHN W.H. MERRIMAN ROBERT M. SAWYER Vice-Chairman LECILE E. COLE

GORDON E. KIMBALL HAROLD S. EDWARDS JOHN W. BLANCHARD Vice-Chairman ALLAN M. PINKERTON ALAN TEAGUE Chairman of the Board

MANAGEMENT left to right:

PETE DINKLER Vice President, Lemon Packing TOMMY HAYS Director of Packing and Sales, Lemon Operations JOHN CHAMBERLAIN Director, Marketing
RYAN NASALROAD Operations Manager, Agritourism and Filming ERIC TOVIAS Director, Information Systems KATHLEEN THOMPSON Director, Human Resources

SUSAN JONES-NG Sales Manager, Lemon Operations GUS GUNDERSON Director, Southern Operations DAN GALBRAITH Director, Northern Operations
MARIO ORTEGA Harvest Manager TOMAS GONZALEZ Manager, Food Safety and Sustainability ROSIE CASTILLO Property Manager GREG HAMM Corporate Controller

Dear Limoneira Shareholders,

Following 117 years of successful operations, the Limoneira Company has elected to embark upon a new journey of corporate structure that represents the beginning of a new corporate era. In an effort to provide the highest level of corporate transparency to its shareholders the Limoneira Company's board of directors recently authorized the registration of its common stock with the United States Securities and Exchange Commission ("SEC.") We are voluntarily registering our common stock with the SEC to become a **publicly traded company** and once the registration is deemed effective we will begin filing periodic reports with the SEC. We have elected to pursue this new avenue of reporting and transparency to better communicate the nature of our business, our risks, our results of operation, our assets, our ownership, our management and our governance to all present and future shareholders. It is the Board's belief that this process will assist us in better communicating the inherent value and risks of this venerable enterprise.

In connection with our upcoming Annual Shareholders Meeting on March 23rd, we will be requesting your support and approval of a 10:1 stock split. We believe that turning the approximately 1,100,000 shares of Limoneira common stock into approximately 11,000,000 shares will make Limoneira's shares **more accessible to more investors** which we believe will, over time, assist in the marketability and liquidity of the common shares. Once the stock split takes place you will own ten times the number of common shares of Limoneira than you did prior to the split.

Concurrent with Limoneira's filing of its Form 10, we will apply to have our common shares traded on the NASDAQ Stock Market. The NASDAQ is recognized as one of the most trusted and reputable stock markets in the world and following our application's acceptance we will be classified as a publicly traded NASDAQ listed company. We believe that the reputation and integrity of the NASDAQ will lend itself to Limoneira's push towards greater transparency as it files with the SEC to become a bona fide publicly traded corporation.

Our Form 10 was filed on February 12, 2010 and will become effective sixty days after filing. Following effectiveness of our Form 10 and after addressing any SEC comments, we will be free to begin publicly trading on the NASDAQ once our application with the NASDAQ is accepted. We anticipate this all to take place by the middle of May.

We'd like to thank you for your ongoing support of Limoneira – especially as we embark on this new journey.

Sincerely,



Alan M. Teague
Chairman of the Board



Harold S. Edwards
President & CEO

LETTER FROM THE CHAIRMAN TO SHAREHOLDERS

This 08-09 fiscal year report offers quite a contrast to prior years. Our Company has weathered many challenging periods over its long and illustrious past. We have not only survived during these periods, but in fact, we have retooled and managed to take those challenges in stride and utilize them as motivation for growth.

What makes us so durable? Quite simply, the answer lies in our mission statement, which reflects the values of the Company and its ownership for over 117 years. What do those words really mean? We believe the answers are as follows:

We maintain a conservative yet positive approach towards long term investments that provide solid return on asset growth with an eye on liquidity for our ownership.

We are open minded to a changing world and investigating new avenues that position the Company for -future growth without forgetting our past.

Ownership and management take a team approach, emphasizing that each and every individual of Limoneira Company and members of the surrounding communities are a vital part of the organization's well being.

At all times, we are good citizens in the community and industry.

We maintain solid relationships with our customers and vendors.

We always keep the welcome mat out.

Our mission goes beyond a few words on a piece of paper. This statement reflects a code of conduct maintained for over 100 years. Within that conduct, one of the finer traits that we are most proud of is open communication and we believe, always taking the high road in each and every facet that this organization touches.

Throughout the years, our strong asset base has enabled us many opportunities as we look towards growth in an ever-shrinking world. In the Board's opinion, the Limoneira Management Team has demonstrated its ability to administer, preserve and optimize all phases of the Company's operations through the management and growth of those assets. While we endure certain setbacks that naturally occur in all business, we feel that the Company is well poised today and particularly well placed for the future.

Your Board of Directors, in conjunction, with Management, look forward to a solid future creating value for not only shareholders, but valued stakeholders in the communities that we conduct business.



Sincerely,

Alan M. Teague

PRESIDENT'S LETTER TO THE SHAREHOLDERS

Limoneira is a sustainable company. Since 1893 our corporate focus has been on value creation and resource stewardship, which involves our land, our water, our employees, our community and our environment. We've managed the Limoneira enterprise through good times and bad with an unwavering commitment to our corporate mission and philosophy.

MISSION

Limoneira's mission is to preserve and promote its tradition, heritage and legacy in agriculture, community development and stewardship to maximize value for its shareholders.


PHILOSOPHY

Limoneira's objective is to provide high quality products and services. While in pursuit of that objective we will adhere to the highest standards of integrity and fairness in our relationships with employees, customers, shareholders, suppliers and our community. Furthermore, it is our obligation to:

- *Protect and expand our asset base to assure long-term profitability*
- *Be responsible trustees in the protection and improvement of our environment*
- *Provide leadership and resources for the betterment of our community*
- *Encourage and support the development of our employees*

Limoneira's future is bright. As the world mends and the affects of the global recession subside, Limoneira's assets and business models are poised to create significant value for its shareholders. Our value creation will be gradual and, at times, volatile, but ultimately it will be significant and sustainable.

Sincerely,



Harold S. Edwards
President & CEO

LIMONEIRA

SINCE 1893

PIONEERING FOR A BRIGHTER TOMORROW



One juicy Limoneira lemon has 12 calories and no fat or sugar. It is jam-packed with vitamin C and phytonutrients found to lower bad cholesterol and prevent plaque build-up in the arteries. It also has antioxidants that fight off free radicals and cancer cells. Limoneira is the largest lemon grower in the United States. Our network of integration from the tree to the plate results in many benefits for our go-to-market partners. Limoneira's Demonstration Orchard contains 300 different citrus varieties to satisfy tomorrow's consumer tastes. We partner with the University of California's Agriculture Program to keep California agriculture moving forward.



AGRICULTURAL

LEMONS

Limoneira also grows a wide variety of **SPECIALTY CITRUS** including Pummelos
Moro Blood Oranges • Cara Cara Oranges • Satsuma Mandarins • Sweet Meyer Lemons
Proprietary Seedless Lemons • Pink Variegated Lemons • Minneola Tangelos • Red Rio Grapefruit.

[In addition, Limoneira leases land to other growers who produce an assortment of crops.]

Limoneira avocados act as a nutrient booster by enabling the body to absorb more fat-soluble nutrients, such as alpha- and beta-carotene foods eaten with this creamy fruit (yes, it is a fruit). Avocados are packed with 20 vitamins, minerals, phytonutrients and the good (monounsaturated) fats, which make them flavorful and healthy to eat. In fact, avocados have been proven to lower cholesterol. As the largest grower of avocados in the United States, Limoneira works diligently to ensure the highest quality product is shipped from our orchards. Sustainability and efficiency are important for producing more with less. Older blocks of agriculture are replanted with more trees per acre.

AVOCADOS

PRODUCTION



Here's one of our **FAVORITE RECIPES:**

Lemon Lavender Avocado Cake

INGREDIENTS:
2 ²/₃ cups all-purpose flour
1 ¹/₂ tsp baking soda
1 tsp baking powder
²/₃ tsp salt
¹/₂ cup butter, softened
1 ³/₄ cups white sugar
3 eggs
1 ¹/₂ cups mashed avocado
2 tbsp lemon juice
³/₄ cup milk
2 tbsp dried lavender
1 tbsp grated lemon zest

DIRECTIONS:
Preheat oven to 350 degrees F. Grease and flour 2 9x5 loaf pans. Mix flour, baking soda, baking powder, and salt in a bowl. Beat the butter and sugar with an electric mixer in a large bowl until light and fluffy. Add room-temperature eggs one at a time. Beat in the avocado and lemon juice with the last egg. Pour in the flour mixture alternately with the milk, mixing until just incorporated. Fold in the lavender and lemon zest; mixing just enough to evenly combine. Pour the batter into prepared pans. Bake until a toothpick inserted into the center comes out clean, about 1 hour. Cool in the pans for 10 minutes before removing to cool completely on a wire rack.

Limoneira Company
Consolidated Statements of Operations

	Year Ended October 31		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Revenues:			
Agriculture	\$ 31,033,000	\$ 49,794,000	\$ 44,751,000
Rental	3,766,000	3,718,000	3,516,000
Other	39,000	—	—
Total revenues	<u>34,838,000</u>	<u>53,512,000</u>	<u>48,267,000</u>
Costs and expenses:			
Agriculture	27,281,000	34,805,000	32,036,000
Rental	2,061,000	2,236,000	2,073,000
Other	318,000	991,000	1,160,000
Selling, general, and administrative	6,469,000	8,292,000	9,627,000
Asset impairments	6,203,000	1,341,000	—
Loss on sale of assets	10,000	11,000	56,000
Total cost and expenses	<u>42,342,000</u>	<u>47,676,000</u>	<u>44,952,000</u>
Operating (loss) income	<u>(7,504,000)</u>	<u>5,836,000</u>	<u>3,315,000</u>
Other income (expense):			
Gain on sale of stock in Calavo Growers, Inc.	2,729,000	—	—
Other income (loss), net	256,000	403,000	(34,000)
Interest income	225,000	902,000	2,300,000
Interest expense	(692,000)	(1,419,000)	(2,102,000)
Total other income (expense)	<u>2,518,000</u>	<u>(114,000)</u>	<u>164,000</u>
(Loss) income from continuing operations before income taxes and equity (losses) earnings	(4,986,000)	5,722,000	3,479,000
Income tax benefit (provision)	2,291,000	(2,128,000)	(1,177,000)
Equity in (losses) earnings of investments	(170,000)	153,000	89,000
(Loss) income from continuing operations	<u>(2,865,000)</u>	<u>3,747,000</u>	<u>2,391,000</u>
Loss from discontinued operations, net of income taxes	(12,000)	(252,000)	(245,000)
Net (loss) income	<u>(2,877,000)</u>	<u>3,495,000</u>	<u>2,146,000</u>
Preferred dividends	(262,000)	(262,000)	(262,000)
Net (loss) income applicable to common stock	<u>\$ (3,139,000)</u>	<u>\$ 3,233,000</u>	<u>\$ 1,884,000</u>
Per common share-basic:			
Continuing operations	\$ (2.78)	\$ 3.13	\$ 1.92
Discontinued operations	(0.01)	(0.23)	(0.22)
Basic net (loss) income per share	<u>\$ (2.79)</u>	<u>\$ 2.90</u>	<u>\$ 1.70</u>
Per common share-diluted:			
Continuing operations	\$ (2.78)	\$ 3.12	\$ 1.92
Discontinued operations	(0.01)	(0.23)	(0.22)
Diluted net (loss) income per share	<u>\$ (2.79)</u>	<u>\$ 2.89</u>	<u>\$ 1.70</u>
Dividends per common share	<u>\$ 0.63</u>	<u>\$ 3.25</u>	<u>\$ 2.25</u>
Weighted-average shares outstanding – basic	1,124,000	1,113,000	1,107,000
Weighted-average shares outstanding – diluted	1,125,000	1,116,000	1,107,000

See accompanying notes.

Limoneira Company
Consolidated Balance Sheets

	October 31	
	2009	2008
Current assets:		
Cash and cash equivalents	\$ 603,000	\$ 90,000
Accounts receivable	3,735,000	2,846,000
Notes receivable – related parties	1,519,000	-
Notes receivable	-	1,300,000
Inventoried cultural costs	858,000	1,146,000
Prepaid expenses and other current assets	894,000	1,104,000
Income taxes receivable	-	1,191,000
Current assets of discontinued operations	9,000	16,000
Total current assets	7,618,000	7,693,000
Property, plant, and equipment, net	53,817,000	51,590,000
Real estate development	53,125,000	57,412,000
Assets held for sale	6,774,000	6,270,000
Equity in investments	1,635,000	1,698,000
Investment in Calavo Growers, Inc.	11,870,000	10,150,000
Notes receivable – related parties	284,000	1,456,000
Notes receivable	2,000,000	350,000
Other assets	4,307,000	3,914,000
Noncurrent assets of discontinued operations	438,000	457,000
Total assets	\$ 141,868,000	\$ 140,990,000
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 970,000	\$ 2,311,000
Growers payable	988,000	808,000
Accrued liabilities	2,764,000	3,818,000
Current portion of long-term debt	465,000	382,000
Current liabilities of discontinued operations	2,000	26,000
Total current liabilities	5,189,000	7,345,000
Long-term liabilities:		
Long-term debt, less current portion	69,251,000	65,200,000
Deferred income taxes	8,764,000	11,541,000
Other long-term liabilities	6,903,000	2,118,000
Total long-term liabilities	84,918,000	78,859,000
Commitments and contingencies		
Stockholders' equity:		
Series B Convertible Preferred Stock – \$100.00 par value (100,000 shares authorized: 30,000 shares issued and outstanding at October 31, 2009 and 2008) (8.75% coupon rate)	3,000,000	3,000,000
Series A Junior Participating Preferred Stock – \$.01 par value (20,000 shares authorized: 0 issued or outstanding at October 31, 2009 and 2008)	-	-
Common Stock – \$.01 par value (3,000,000 shares authorized: 1,126,288 and 1,113,276 shares issued and outstanding at October 31 2009 and 2008, respectively)	11,000	11,000
Additional paid-in capital	34,820,000	34,211,000
Retained earnings	16,386,000	20,226,000
Accumulated other comprehensive loss	(2,456,000)	(2,662,000)
Total stockholders' equity	51,761,000	54,786,000
Total liabilities and stockholders' equity	\$ 141,868,000	\$ 140,990,000

See accompanying notes.

Limoneira Company

Consolidated Statements of Stockholders' Equity

	Series B Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Shares	Amount				
Balance at November 1, 2006	30,000	\$ 3,000,000	1,106,288	\$ 11,000	\$ 31,683,000	\$ 21,274,000	\$ (3,427,000)	\$ 52,541,000
Dividends – common	–	–	–	–	–	(2,491,000)	–	(2,491,000)
Dividends – preferred	–	–	–	–	–	(262,000)	–	(262,000)
Stock compensation expense	–	–	7,500	–	3,187,000	–	–	3,187,000
Repurchase of common stock	–	–	(450)	–	(113,000)	–	–	(113,000)
Comprehensive income:								
Net income	–	–	–	–	–	2,146,000	–	2,146,000
Minimum pension liability adjustment, net of tax provision of \$857,000	–	–	–	–	–	–	1,286,000	1,286,000
Unrealized holding gain of security available-for-sale, net of tax provision of \$5,239,000	–	–	–	–	–	–	7,920,000	7,920,000
Total comprehensive income								11,352,000
Balance at October 31, 2007	30,000	3,000,000	1,113,338	11,000	34,757,000	20,667,000	5,779,000	64,214,000
Dividends – common	–	–	–	–	–	(3,619,000)	–	(3,619,000)
Dividends – preferred	–	–	–	–	–	(262,000)	–	(262,000)
Stock compensation expense	–	–	4,524	–	600,000	–	–	600,000
Repurchase of common stock	–	–	(4,586)	–	(1,146,000)	–	–	(1,146,000)
Comprehensive loss:								
Net income	–	–	–	–	–	3,495,000	–	3,495,000
Minimum pension liability adjustment, net of tax benefit of \$253,000	–	–	–	–	–	–	(381,000)	(381,000)
Unrealized holding loss of security available-for-sale, net of tax benefit of \$5,083,000	–	–	–	–	–	–	(7,677,000)	(7,677,000)
Unrealized loss resulting from changes in fair values of derivative instruments, net of tax benefit of \$254,000	–	–	–	–	–	–	(383,000)	(383,000)
Cumulative effect adjustment for uncertainty in income taxes	–	–	–	–	–	(55,000)	–	(55,000)
Total comprehensive loss								(5,001,000)
Balance at October 31, 2008	30,000	3,000,000	1,113,276	11,000	34,211,000	20,226,000	(2,662,000)	54,786,000
Dividends – common	–	–	–	–	–	(701,000)	–	(701,000)
Dividends – preferred	–	–	–	–	–	(262,000)	–	(262,000)
Stock compensation expense	–	–	13,048	–	614,000	–	–	614,000
Repurchase of common stock	–	–	(36)	–	(5,000)	–	–	(5,000)
Comprehensive loss:								
Net loss	–	–	–	–	–	(2,877,000)	–	(2,877,000)
Minimum pension liability adjustment, net of tax benefit of \$1,276,000	–	–	–	–	–	–	(1,915,000)	(1,915,000)
Unrealized holding gain of security available-for-sale, net of tax provision of \$2,028,000	–	–	–	–	–	–	3,042,000	3,042,000
Unrealized loss resulting from changes in fair values of derivative instruments, net of tax benefit of \$614,000	–	–	–	–	–	–	(921,000)	(921,000)
Total comprehensive loss								(2,671,000)
Balance at October 31, 2009	30,000	\$ 3,000,000	1,126,288	\$ 11,000	\$ 34,820,000	\$ 16,386,000	\$ (2,456,000)	\$ 51,761,000

See accompanying notes.

Limoneira Company

Consolidated Statements of Cash Flows

	Year Ended October 31		
	2009	2008	2007
Operating activities			
Net (loss) income from continuing operations	\$ (2,865,000)	\$ 3,747,000	\$ 2,391,000
Adjustments to reconcile net (loss) income from continuing operations to net cash (used in) provided by operating activities:			
Depreciation and amortization	2,323,000	2,434,000	2,267,000
Loss on disposal/sale of fixed assets	10,000	11,000	56,000
Write-off of intangible asset	-	34,000	-
Impairments of real estate development	6,203,000	1,341,000	-
Orchard write-offs	69,000	1,172,000	383,000
Gain on sale of stock in Calavo Growers, Inc.	(2,729,000)	-	-
Stock compensation expense	770,000	600,000	3,187,000
Equity in earnings (losses) of investments	170,000	(153,000)	(89,000)
Deferred income taxes	(2,226,000)	407,000	164,000
Amortization of deferred financing costs	25,000	-	-
Changes in operating assets and liabilities:			
Accounts and notes receivable	(1,211,000)	(122,000)	137,000
Inventoried cultural costs	288,000	32,000	(183,000)
Prepaid expenses and other current assets	210,000	(467,000)	473,000
Income taxes receivable	987,000	(1,186,000)	(5,000)
Other assets	(135,000)	(29,000)	28,000
Accounts payable and growers payable	(1,429,000)	40,000	(475,000)
Accrued liabilities	(1,054,000)	(67,000)	1,934,000
Other long-term liabilities	(403,000)	(878,000)	(602,000)
Net cash (used in) provided by operating activities	<u>(997,000)</u>	<u>6,916,000</u>	<u>9,666,000</u>
Investing activities			
Capital expenditures	(7,159,000)	(29,206,000)	(8,919,000)
Net proceeds from sale of fixed assets	26,000	19,000	4,000
Net proceeds from sale of stock in Calavo Growers, Inc.	6,079,000	-	-
Cash distributions from equity investments	79,000	623,000	362,000
Equity investment contributions	-	(30,000)	(526,000)
Issuance of notes receivable	(375,000)	(540,000)	(23,195,000)
Collection of note receivable	-	-	4,264,000
Investments in mutual water companies and water rights	(30,000)	(117,000)	(1,561,000)
Other	(100,000)	(100,000)	(131,000)
Net cash used in investing activities	<u>(1,480,000)</u>	<u>(29,351,000)</u>	<u>(29,702,000)</u>
Financing activities			
Borrowings of long-term debt	27,921,000	62,093,000	27,470,000
Repayments of long-term debt	(23,787,000)	(34,986,000)	(3,510,000)
Dividends paid – Common	(701,000)	(3,619,000)	(2,491,000)
Dividends paid – Preferred	(262,000)	(262,000)	(262,000)
Repurchase of common shares	(5,000)	(1,146,000)	(113,000)
Payments of debt financing costs	(166,000)	-	-
Net cash provided by financing activities	<u>3,000,000</u>	<u>22,080,000</u>	<u>21,094,000</u>
Net increase (decrease) in cash and cash equivalents	523,000	(355,000)	1,058,000
Net cash used in discontinued operations	(10,000)	(41,000)	(576,000)
Cash and cash equivalents at beginning of year	90,000	486,000	4,000
Cash and cash equivalents at end of year	<u>\$ 603,000</u>	<u>\$ 90,000</u>	<u>\$ 486,000</u>
Supplemental disclosures of cash flow information			
Cash paid during the year for interest	\$ 3,000,000	\$ 2,548,000	\$ 2,557,000
Cash paid during the year for income taxes, net of (refunds)received	\$ (987,000)	\$ 2,935,000	\$ 131,000
Non-cash investing, financing, and other comprehensive income (loss) transactions:			
Minimum pension liability adjustment, net of tax benefit	\$ 1,915,000	\$ 381,000	\$ (1,286,000)
Unrealized holding (gain) loss on security, net of tax benefit	\$ (3,042,000)	\$ 7,677,000	\$ (7,920,000)
Unrealized loss from derivatives, net of tax benefits	\$ 921,000	\$ 383,000	\$ -
Write-off of intangible asset	\$ -	\$ 34,000	\$ -
Conversion of note receivable and interest from Templeton Santa Barbara, LLC to controlling equity interest	\$ -	\$ 22,656,000	\$ -
Capital expenditures accrued but not paid at year-end	\$ 242,000	\$ 600,000	\$ -

See accompanying notes.

LIMONEIRA COMPANY

Notes to Consolidated Financial Statements

1. Business

Limoneira Company, a Delaware Company (the Company), engages primarily in growing citrus and avocados, picking and hauling citrus, packing lemons, and housing rentals and other real estate operations. The Company is also engaged in real estate development.

The Company markets its agricultural products primarily through Sunkist Growers, Inc. (Sunkist) and Calavo Growers, Inc. (Calavo).

Most of the Company's citrus production is marketed and sold under the Sunkist brand to the food service industry, wholesalers and retail operations throughout North America, Asia, and certain other countries primarily through Sunkist, an agricultural marketing cooperative of which the Company is a member. As an agricultural cooperative, Sunkist coordinates the sales and marketing of the Company's citrus products which are processed through the Company's packinghouse.

The Company provides all of its avocado production to Calavo, a packing and marketing company listed on NASDAQ under the symbol CVGW. Calavo's customers include many of the largest retail and food service companies in the United States and Canada. The Company's avocados are packed by Calavo, sold and distributed under its own brands to its customers primarily in the United States and Canada.

2. Summary of Significant Accounting Policies

Principles of Consolidation – The consolidated financial statements include the accounts of the Company and the accounts of all the subsidiaries and investments in which a controlling interest is held by the Company. All significant intercompany transactions have been eliminated. The financial statements represent the consolidated financial position, results of operations and cash flows of Limoneira Company and its wholly owned subsidiaries: Limoneira Land Company, Limoneira Company International Division, LLC, Limoneira Mercantile, LLC, and Templeton Santa Barbara, LLC. All variable interest entities for which the Company is considered the primary beneficiary are consolidated. These variable interest entities are 6037 East Donna Circle, LLC and 6146 East Cactus Wren Road, LLC. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates – The preparation of financial statements 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.

Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Income Taxes

Deferred income tax assets and liabilities are computed annually for differences between the financial statement and income tax bases of assets and liabilities that will result in taxable or deductible amounts in the future. Such deferred income tax asset and liability computations are based on enacted tax laws and rates applicable to periods in which the differences are expected to affect taxable income. A valuation allowance is established, when necessary, to reduce deferred income tax assets to the amount expected to be realized.

Tax benefits from an uncertain tax position are only recognized if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

Property, Plant, and Equipment

Property, plant, and equipment is stated at original cost, net of accumulated depreciation. Depreciation is computed using the straight-line method at rates based upon the estimated useful lives of the related assets as follows (in years):

Land improvements	10 – 20
Buildings and building improvements	10 – 50
Equipment	5 – 20
Orchards	20 – 40

Capitalized Interest

Capitalized interest is recorded on non-bearing orchards, real estate development projects, and significant construction in progress using the average interest rate during the fiscal year. Interest of \$2,252,000 and \$1,292,000 was capitalized during the years ended October 31, 2009 and 2008, respectively, and is included in property, plant, and equipment and real estate development assets in the Company's consolidated balance sheets.

Real Estate Development

Expenditures for real estate development projects are capitalized at cost and include, but are not limited to, land purchases, interest, professional fees, and construction costs. Capitalization of interest ceases when a project is substantially complete and available for sale. Other costs related to real estate development projects, but which are expensed as incurred, include campaign costs and certain consulting fees.

Marketable Securities

The Company considers investments not qualifying as cash equivalents, but are readily marketable, to be marketable securities. The Company classifies all marketable securities as available-for-sale. The Company's investments in marketable securities are stated at fair value with unrealized gains (losses), net of tax, reported as a component of accumulated other comprehensive income (loss) in the Company's consolidated statements of stockholders' equity.

Equity in Investments

Investments in unconsolidated joint ventures in which the Company has significant influence but less than a controlling interest, or is not the primary beneficiary if the joint venture is determined to be a variable interest entity, are accounted for under the equity method of accounting and, accordingly, are adjusted for capital contributions, distributions, and the Company's equity in net earnings or loss of the respective joint venture.

Intangible Assets

Intangible assets consist primarily of acquired water and mineral rights and a patent. The Company evaluates its indefinite-life intangible assets annually or whenever events or changes in circumstances indicate an impairment of the assets' value may exist.

Long-Lived Assets

The Company evaluates long-lived assets, including its definite-life intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated undiscounted future cash flows from the use of an asset are less than the carrying value of that asset, a write-down is recorded to reduce the carrying value of the asset to its fair value. Assets held for sale are carried at the lower of cost or fair value less cost to sell.

The Company wrote down the carrying value of certain of its real estate development projects in fiscal years 2009 and 2008. See Note 5.

Fair Values of Financial Instruments

The fair values of financial instruments are based on level one indicators, or quoted market prices, where available, or are estimated using the present value or other valuation techniques. Estimated fair values are significantly affected by the assumptions used.

The carrying amounts of cash and cash equivalents, accounts receivable, notes receivable, accounts payable, and growers payable, and accrued liabilities reported on the Company's consolidated balance sheets approximate their fair values due to the short-term nature of the instruments.

Based on the borrowing rates currently available to the Company for bank loans with similar terms and average maturities, the fair value of long-term debt is approximately equal to its carrying amount as of October 31, 2009, and \$278,000 greater than its carrying amount as of October 31, 2008.

Concentrations of Credit Risk

The Company grants credit in the course of its operations to cooperatives, companies and lessees of the Company's facilities. The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral. Accounts receivable are stated at their estimated fair values in the Company's consolidated balance sheets.

Sales to customers through the Sunkist network accounted for approximately 64% of the Company's revenues during fiscal year 2009, approximately 75% during fiscal year 2008, and approximately 73% during fiscal year 2007.

The Company maintains its cash and cash equivalents in federally insured financial institutions. The account balances at these institutions periodically exceed Federal Deposit Insurance Corporation (FDIC) insurance coverage and, as a result, there is a concentration of risk related to amounts on deposit in excess of FDIC insurance coverage. The Company believes the risk is not significant.

Derivative Financial Instruments

The Company uses derivative financial instruments for purposes other than trading to manage its exposure to interest rates as well as to maintain an appropriate mix of fixed and floating-rate debt. Contract terms of a hedge instrument closely mirror those of the hedged item, providing a high degree of risk reduction and correlation. Contracts that are effective at meeting the risk reduction and correlation criteria are recorded using hedge accounting. If a derivative instrument is a hedge, depending on the nature of the hedge, changes in the fair value of the instrument will be either offset against the change in the fair value of the hedged assets, liabilities or firm commitments through earnings or be recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of an instrument's change in fair value will be immediately recognized in earnings. Instruments that do not meet the criteria for hedge accounting, or contracts for which the Company has not elected hedge accounting, are valued at fair value with unrealized gains or losses reported in earnings during the period of change.

Comprehensive Income (Loss)

Comprehensive income (loss) is reported in the Company's consolidated statements of stockholders' equity as a component of retained earnings and consists of net income (loss) and other gains and losses affecting stockholders' equity that, under U.S. GAAP, are excluded from net income (loss).

Basic and Diluted Net Income per Share

Basic net income per common share is calculated using the weighted-average number of common shares outstanding during the period without consideration of the dilutive effect of share-based compensation. Diluted net income per common share is calculated using the diluted weighted-average number of common shares. Diluted weighted-average shares include weighted-average shares outstanding plus the dilutive effect of share-based compensation calculated using the treasury stock method of 1,000 for fiscal year 2009, 3,000 for fiscal year 2008, and zero for fiscal year 2007. The Series B convertible preferred shares (see Note 18) are anti-dilutive for fiscal years 2009, 2008, and 2007.

Revenue Recognition

Sales of products and related costs of products are recognized when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred, (iii) selling price is fixed or determinable, and (iv) collectability is reasonably assured. Monthly revenue from the sales of certain of the Company's agricultural products is accrued based on estimated proceeds provided by the Company's sales and marketing partners. Historically, these estimates have not differed materially from actual results.

For citrus products processed through the Company's packinghouse and sold by Sunkist on the Company's behalf, the Company has (i) the general and physical inventory risk, (ii) the discretion in supplier selection, and (iii) is involved in the determination of the product that is ultimately sold to the customer. In addition, Sunkist earns a fixed amount from the Company for its sales and marketing services. The Company records the revenues related to these citrus sales on a gross basis.

For avocados, oranges, specialty citrus and other specialty crops packed and sold by Calavo and other third-party packinghouses, Calavo and the other third-party packinghouses are the primary obligor in the arrangement; as such, the Company records the revenues related to these sales made by Calavo and other third-party packinghouses on a net basis.

For rental revenue, minimum rent revenues are generally recognized on a straight-line basis over the respective initial lease term. Contingent rental revenues are contractually defined as to the percentage of rent to be received by the Company and are tied to fees collected by the lessee. The Company's contingent rental arrangements generally require payment on a monthly basis with the payment based on the previous month's activity. The Company accrues contingent rental revenues based upon estimates and adjusts to actual as the Company receives payments. Organic recycling percentage rents range from 5% to 10%.

Advertising Expense

Advertising costs are expensed as incurred. Such costs in fiscal years 2009, 2008 and 2007 were \$57,000, \$153,000, and \$110,000, respectively.

Cultural Costs

Costs of bringing crops to harvest are inventoried when incurred. Such costs are expensed when the crops are sold. Costs during the current year related to the next year's crop are inventoried and carried in inventory until the matching crop is harvested and sold.

Leases

The Company records rent expense for its operating leases on a straight-line basis from the lease commencement date as defined in the lease agreement until the end of the base lease term.

Recently Adopted Accounting Pronouncements

In October 2009, the Company adopted Financial Accounting Standards Board Accounting Standard Codification (FASB ASC) 105 (SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*). FASB ASC 105 (SFAS No. 168) established the FASB Accounting Standards Codification (the Codification) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial standards in conformity with U.S. GAAP. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants. FASB ASC 105 (SFAS No. 168) is effective for financial statements issued for interim and annual periods after September 15, 2009. On the effective date of FASB ASC 105 (SFAS No. 168), all then-existing non-SEC accounting and reporting standards are superseded, with the exception of certain as the promulgations listed in FASB ASC 105 (SFAS No. 168). The adoption of FASB ASC 105 (SFAS No. 168) had no effect on the Company's consolidated financial statements, since the purpose of the Codification is not to create new accounting and reporting guidance. Rather, the Codification is meant to simplify user access to all authoritative U.S. GAAP. References to U.S. GAAP in our financial statements have been updated, as appropriate, to cite the Codification of FASB ASC 105 (SFAS No. 168).

In October 2009, the Company adopted FASB ASC 855 (SFAS No. 165, *Subsequent Events*). FASB ASC 855 (SFAS No. 165) established accounting and reporting standards for events that occur after the balance sheet date but before financial statements are issued or are available to be issued. In addition, FASB ASC 855 (SFAS 165) requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for selecting that date, that is, whether that date represents the date the financial statements were issued or were available to be issued. FASB ASC 855 (SFAS No. 165) is effective for fiscal years and interim periods ending after June 15, 2009. The adoption of FASB ASC 855 (SFAS No. 165) did not have a material impact on the Company's consolidated financial statements.

In November 2008, the Company adopted FASB ASC 820 (SFAS No. 157, *Fair Value Measurements*), for its financial assets and liabilities. FASB ASC 820 (SFAS No. 157) provides a framework for measuring fair value and requires expanded disclosures regarding fair value measurements. FASB ASC 820 (SFAS No. 157) defines fair value as the price that would be received for an asset or the exit price that would be paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. FASB ASC 820 (SFAS No. 157) also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs, where available.

The following summarizes the three levels of inputs required by the standard that the Company uses to measure fair value:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

FASB ASC 820 (SFAS No. 157) requires the use of observable market inputs (quoted market prices) when measuring fair value and requires a Level 1 quoted price to be used to measure fair value whenever possible.

The Company's adoption of FASB ASC 820 (SFAS No. 157) did not have a material impact on its financial position, results of operations or liquidity.

In accordance with FASB ASC 820 (FSP FAS No. 157-2, *Effective Date of FASB Statement No. 157*), the Company elected to defer, until November 2009, the adoption of FASB ASC 820 (SFAS No. 157) for all nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis. The adoption of FASB ASC 820 (SFAS No. 157) for those assets and liabilities within the scope of FASB ASC 820 (FSP FAS No. 157-2) is not expected to have a material impact on the Company's financial position, results of operations, or liquidity.

In November 2008, the Company adopted FASB ASC 825 (SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115*), which permits entities to choose to measure many financial instruments and certain other items at fair value. The Company already records its marketable securities at fair value in accordance with FASB ASC 320 (SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*). The adoption of FASB ASC 825 (SFAS No. 159) did not have an impact on the Company's consolidated financial statements, as management did not elect the fair value option for any other financial instruments or certain other assets and liabilities.

In March 2008, the Company adopted FASB ASC 815 (SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities*). FASB ASC 815 (SFAS No. 161) requires expanded disclosures regarding the location and amount of derivative instruments in an entity's financial statements, how derivative instruments and related hedged items are accounted for under FASB ASC 815 (SFAS No. 161) and how derivative instruments and related hedged items affect an entity's financial position, operating results and cash flows. The adoption of FASB ASC 815 (SFAS No. 161) did not have an impact on the Company's consolidated financial statements and related disclosures.

Recently Issued Accounting Standards

In August 2009, the FASB issued Accounting Standards Update No. 2009-5, *Measuring Liabilities at Fair Value* (ASU No. 2009-05). ASU No. 2009-05 amends ASC 820, *Fair Value Measurements*. Specifically, ASU No. 2009-05 provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the following methods: 1) a valuation technique that uses a) the quoted price of the identical liability when traded as an asset or b) quoted prices for similar liabilities or similar liabilities when traded as assets and/or 2) a valuation technique that is consistent with the principles of ASC 820. ASU No. 2009-05 also clarifies that when estimating the fair value of a liability, a reporting entity is not required to adjust to include inputs relating to the existence of transfer restrictions on that liability. ASU No. 2009-05 is effective for the first reporting period after its issuance, which will require the Company to adopt these provisions in the first quarter of fiscal 2010. The Company does not believe that the adoption of ASU No. 2009-05 will have a material impact on its consolidated financial statements.

In June 2009, the FASB issued Financial Accounting Standard No. 166, *Accounting for Transfers of Financial Assets — an amendment of FASB Statement No. 140* (SFAS No. 166). SFAS No. 166 clarifies the information that an entity must provide in its financial statements surrounding a transfer of financial assets and the effect of the transfer on its financial position, financial performance, and cash flows. This Statement is effective as of the beginning of the annual period beginning after November 15, 2009. The Company does not believe that the adoption of SFAS No. 166 will have a material impact on its consolidated financial statements.

In June 2009, the FASB issued Financial Accounting Standard No. 167, *Amendments to FASB Interpretation No. 46(R)* (SFAS No. 167). SFAS No. 167 clarifies and improves financial reporting by entities involved with variable interest entities. This Statement is effective as of the beginning of the annual period beginning after November 15, 2009. The Company does not believe that the adoption of SFAS No. 167 will have a material impact on its consolidated financial statements.

In December 2008, the FASB issued FASB ASC 810 (SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51*), which changes the accounting and reporting for minority interests. Minority interests will be re-characterized as noncontrolling interests and will be reported as a component of equity separate from the parent's equity, and purchases or sales of equity interests that do not result in a change in control will be accounted for as equity transactions. In addition, net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement and, upon a loss of control, the interest sold, as well as any interest retained, will be recorded at fair value with any gain or loss recognized in earnings. The Company will adopt FASB ASC 810 (SFAS No. 160) no later than the first quarter of fiscal 2010. The Company does not believe that the adoption of FASB ASC 810 (SFAS No. 160) will have a material impact on its consolidated financial statements.

In December 2008, the FASB issued FASB ASC 805 (SFAS No. 141R (revised 2008), *Business Combinations*), which replaces SFAS No. 141. The statement retains the purchase method of accounting for acquisitions, but requires a number of changes, including changes in the way assets and liabilities are recognized in the purchase accounting. It also changes the recognition of assets acquired and liabilities assumed arising from contingencies, requires the capitalization of in-process research and development at fair value, and requires the expensing of acquisition-related costs as incurred. The Company will adopt FASB ASC 805 (SFAS No. 141R) no later than the first quarter of fiscal 2010 and it will apply prospectively to business combinations completed on or after that date.

In April 2008, the FASB issued FASB ASC 350-30 (FSP FAS No. 142-3, *Determination of the Useful Life of Intangible Assets*). FASB ASC 350-30 (FSP FAS No. 142-3) amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB ASC 350 (SFAS No. 142). This change is intended to improve the consistency between the useful life of a recognized intangible asset under FASB ASC 350 (SFAS No. 142) and the period of expected cash flows used to measure the fair value of the asset under FASB ASC 805 (SFAS No. 141R) and other generally accepted accounting principles. The requirement for determining useful lives must be applied prospectively to intangible assets acquired after the effective date and the disclosure requirements must be applied prospectively to all intangible assets recognized as of, and subsequent to, the effective date. FASB ASC 350-30 (FSP FAS No. 142-3) is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years, which will require the Company to adopt these provisions in the first quarter of fiscal 2010. The Company does not believe that the adoption of FASB ASC 350-30 (FSP FAS No. 142-3) will have a material impact on its consolidated financial statements.

3. Fair Value Measurements

Under the FASB ASC 820 (SFAS No. 157) hierarchy, an entity is required to maximize the use of quoted market prices and minimize the use of unobservable inputs. The following table sets forth the Company's financial assets and liabilities as of October 31, 2009, that are measured on a recurring basis during the period, segregated by level within the fair value hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets at fair value:				
Available- for -sale securities	\$ 11,870,000	\$ -	\$ -	\$ 11,870,000
Liabilities at fair value:				
Derivatives	-	2,171,000	-	2,171,000

Available-for-sale securities consist of marketable securities in Calavo Growers, Inc. common stock. The Company currently own approximately 4.6% of Calavo's outstanding common stock. These securities are measured at fair value by quoted market prices. Calavo's stock price at October 31, 2009 and 2008, equaled \$17.85 per share and \$10.15 per share. See Note 7.

Derivatives consist of interest rate swaps whose fair values are estimated using industry-standard valuation models. Such models project future cash flows and discount the future amounts to a present value using market-based observable inputs. See Note 12.

4. Property, Plant, and Equipment

Property, plant, and equipment consist of the following at October 31:

	<u>2009</u>	<u>2008</u>
Land	\$ 25,186,000	\$ 24,064,000
Land improvements	11,810,000	11,810,000
Buildings and building improvements	13,503,000	11,752,000
Equipment	21,329,000	21,087,000
Orchards	21,372,000	18,375,000
Construction in progress	1,171,000	3,186,000
	<u>94,371,000</u>	<u>90,274,000</u>
Less accumulated depreciation	<u>(40,554,000)</u>	<u>(38,684,000)</u>
	<u>\$ 53,817,000</u>	<u>\$ 51,590,000</u>

Depreciation expense was \$2,310,000, \$2,421,000 and \$2,257,000 for fiscal years 2009, 2008, and 2007, respectively, and amortization expense was \$13,000, \$13,000, and \$10,000 for fiscal years 2009, 2008, and 2007, respectively.

5. Real Estate Development Assets/Assets Held for Sale

Real estate development assets consist of the following at October 31:

	<u>2009</u>	<u>2008</u>
East Areas 1 and 2:		
Land and land development costs	\$ 37,788,000	\$ 35,604,000
Templeton Santa Barbara, LLC:		
Land and land development costs	15,337,000	16,090,000
Arizona Development Projects:		
Land and land development costs	-	5,718,000
Total included in real estate development asset	<u>\$ 53,125,000</u>	<u>\$ 57,412,000</u>

Assets held for sale consist of the following at October 31:

	<u>2009</u>	<u>2008</u>
Templeton Santa Barbara, LLC and Arizona Development Project:		
Land and land development costs	\$ 6,774,000	\$ 6,270,000
Total included in assets held for sale	<u>\$ 6,774,000</u>	<u>\$ 6,270,000</u>

East Areas 1 and 2

In fiscal year 2005, the Company began capitalizing the costs of two real estate projects east of Santa Paula, California, for the development of 550 acres of land into residential units, commercial buildings, and civic facilities. The initial net book value of the land associated with this project was \$8,253,000. During fiscal years 2009 and 2008, the Company capitalized \$2,184,000 and \$1,756,000, respectively, of costs related to these real estate development projects. Additionally, in relation to this project, the Company has incurred expenses of \$110,000, \$966,000, and \$1,160,000 in fiscal years 2009, 2008, and 2007, respectively. During fiscal year 2008, the Company purchased a 63-acre parcel of land within the project boundary for \$22,000,000, which is included in real estate development assets in the Company's consolidated balance sheets at October 31, 2009 and 2008.

Templeton Santa Barbara, LLC

In December 2006, the Company entered into an agreement with Templeton Santa Barbara, LLC (Templeton) whereby the Company provided a \$20,000,000 loan to Templeton (the Bridge Loan). Templeton used these funds to purchase four residential development parcels in Santa Maria, California (Templeton project). The Company obtained the funds for the Bridge Loan through a term loan allowed under its credit arrangement with City National Bank (the Term Loan). The Term Loan matured on April 30, 2008 (see Note 11). Interest on the Bridge Loan was equal to the Prime rate plus 2%. The \$20,000,000 principal balance on the Bridge Loan was due and payable on March 31, 2008, with the remaining outstanding balance due on October 31, 2009. Under the terms of the agreement with Templeton, the Company had the option to participate in the Templeton project as a 20% equity partner or participate as a lender receiving a preferred interest rate.

In December 2008, the Company amended its credit arrangement with City National Bank to extend the maturity date of the Term Loan issued to the Company under that credit arrangement from December 31, 2007 to April 30, 2008. The Company then entered into an agreement (the Agreement) with Templeton to extend the due date of the \$20,000,000 Bridge Loan issued to Templeton by the Company from December 31, 2007 to March 31, 2008. Interest payable to the Company by Templeton during the extension period was at a rate of Prime plus 2%. The Agreement called for Templeton to exercise its "best efforts" to sell and/or refinance the Templeton project using the proceeds from the Bridge Loan. The Agreement also prioritized the use of all funds received upon the sale or refinance of the Templeton project as well as defined the Company's participation in the ultimate disposition of the Templeton project.

At March 31, 2008, Templeton was unable to meet its obligation under the terms of the Agreement with the Company. As a result, the Company assumed a 75% controlling interest in the Templeton project and began consolidating all of the activities of the Templeton project beginning in April 2008. The \$2,656,000 interest recognized on the Bridge Loan balance at March 31, 2008, was capitalized into the development costs associated with the Templeton project. The Term Loan was repaid by the Company in fiscal 2008 with proceeds from the Rabobank credit facility (see Note 11). Templeton's minority interest basis in the Templeton project was zero at October 31, 2008. Templeton assigned its remaining 25% interest in the Templeton project to the Company in March 2009.

The Company wrote down the carrying value of its Templeton project by \$4,659,000 in fiscal year 2009 and \$1,341,000 in fiscal year 2008 based on the results of independent appraisals which indicated that the fair value of the land and land development costs related to the Templeton project was less than its carrying value at October 31, 2009 and 2008, respectively.

In October 2008, the Company received an offer from a third party to purchase one of the four real estate development parcels within the Templeton project. The net carrying value (inclusive of impairment charges) related to this particular real estate development parcel was \$6,270,000 and was recorded in assets held for sale in the Company's consolidated balance sheet at October 31, 2008. The sale of this real estate development parcel fell out of escrow during fiscal 2009 and is no longer being held for sale. As such, the net carrying value (inclusive of impairment charges) of this real estate development parcel is included in real estate development assets in the Company's consolidated balance sheet at October 31, 2009.

In September 2009, another of the four real estate development parcel within the Templeton project went into escrow. The net carrying value (inclusive of impairment charges) related to this particular real estate development parcel is \$3,476,000 and is recorded in assets held for sale in the Company's Consolidated Balance Sheet at October 31, 2009.

The three real estate development parcels not included in assets held for sale are included in real estate development assets in the Company's October 31, 2009 and 2008 Consolidated Balance Sheets.

Arizona Development Projects

In fiscal year 2007, the Company and Bellagio Builders, LLC, an Arizona limited liability company, formed a limited liability company, 6037 East Donna Circle, LLC (Donna Circle), with the sole business purpose of constructing and marketing an approximately 7,500 square foot luxury home in Paradise Valley, Arizona (Donna Circle project). In February 2007, Donna Circle obtained an unsecured, non-revolving line of credit for \$3,200,000 with Mid-State Bank (the DC Line). The DC Line called for monthly, interest only payments with all unpaid principal due at maturity in February 2009. The interest rate for the DC Line was 7%. All principal and interest under the DC Line was guaranteed by the Company. As such, the Company was required to consolidate the activities of the Donna Circle project since the Company was the primary beneficiary in Donna Circle (which is deemed to be variable interest entity). The DC Line was repaid by the Company in fiscal year 2008 with proceeds from the Rabobank credit facility (see Note 11).

Donna Circle used proceeds of \$1,368,000 from the DC Line to purchase property in Paradise Valley, Arizona, for the construction of a luxury home. Additionally, Donna Circle used proceeds of \$1,621,000 from borrowings for site preparation, architect fees, and construction of the project. Total capitalized costs of \$2,989,000 are included in real estate development assets in the Company's consolidated balance sheet at October 31, 2008.

In December 2008, the Donna Circle project was completed (after incurring an additional \$407,000 of capitalized costs during fiscal 2009) and the property was listed for sale with a real estate broker. As such, the real estate development assets related to the Donna Circle project were classified by the Company as assets held for sale at that time. In June 2009, the Company decided not to sell Donna Circle and instead, executed a two-year lease agreement for the Donna Circle property with a third party (Renters) whereby the Company is to receive approximately \$7,600 a month in rental fees for a 24-month period (beginning in July 2009). Based on the terms of the lease agreement, the Renters have the option to extend the lease for 12 months (after the initial 24-month rental period) at \$8,000 per month and may purchase the home during the option period for approximately \$3,800,000. As such, the Company reclassified its capitalized real estate development assets from asset held for sale to property, plant, and equipment in the Company's consolidated balance sheet at October 31, 2009, as the Donna Circle property is being held and used by the Company to generate rental income. The Company recognized \$39,000 in rental income related to its Donna Circle property in fiscal year 2009. Such amounts are included in other revenues in the Company's consolidated statement of operations for the year ended October 31, 2009.

The net carrying value related to Donna Circle is \$2,750,000 at October 31, 2009, consisting of capitalized land costs with a basis of \$1,121,000 and capitalized building costs of \$1,629,000, net of (a) fiscal year 2009 depreciation expense on the capitalized building costs of \$43,000 and (b) a fiscal year 2009 impairment charge of \$603,000 (which was allocated pro-rata between the Company's basis in the capitalized land and building costs for the Donna Circle property). The fiscal 2009 impairment charge was the result of an independent appraisal which indicated that the fair value of the Donna Circle project was less than its carrying value at October 31, 2009.

In fiscal year 2007, the Company and Bellagio Builders, LLC, an Arizona limited liability company, formed a limited liability company, 6146 East Cactus Wren Road, LLC (Cactus Wren) with the sole business purpose of constructing and marketing an approximately 9,500 square-foot luxury home in Paradise Valley, Arizona (Cactus Wren project). In March 2007, Cactus Wren obtained an unsecured, non-revolving line of credit for \$3,900,000 with Mid-State Bank (the CW Line). The CW Line called for monthly, interest only payments with all unpaid principal due at maturity in March 2009. The interest rate for the CW Line was 7%. All principal and interest under the CW Line was guaranteed by the Company. As such, the Company was required to consolidate the activities of the Cactus Wren project since the Company was the primary beneficiary in Cactus Wren (which is deemed to be variable interest entity). The CW Line was repaid by the Company in fiscal year 2008 with proceeds from the Rabobank credit facility (see Note 11).

Cactus Wren used proceeds of \$1,640,000 from the CW Line to purchase property in Paradise Valley, Arizona, for the construction of a luxury home. Additionally, Cactus Wren used proceeds of \$2,599,000 from borrowings for site preparation, architect fees, and construction of the project. Total capitalized costs of \$2,729,000 are included in real estate development assets in the Company's consolidated balance sheet at October 31, 2008.

In June 2009, the Cactus Wren project was completed (after incurring an additional \$1,510,000 of capitalized costs during fiscal year 2009) and the property was listed for sale with a real estate broker. The property remains unsold at October 31, 2009. As such, the real estate development assets related to the Cactus Wren project is classified by the Company as assets held for sale in the Company's consolidated balance sheet at October 31, 2009.

The net carrying value related to Cactus Wren is \$3,298,000 at October 31, 2009, consisting of capitalized land and land development costs, net of a fiscal year 2009 impairment charge of \$941,000. The fiscal year 2009 impairment charge was the result of an independent appraisal which indicated that the fair value of the Cactus Wren project was less than its carrying value at October 31, 2009.

6. Equity Investments

Limco Del Mar, Ltd.

The Company has a 1.3% interest in Limco Del Mar, Ltd. (Del Mar) as a general partner and a 22.1% interest as a limited partner. Based on the terms of the partnership agreement, the Company may be removed without cause from the partnership upon the vote of the limited partners owning an aggregate of 50% or more interest in the partnership. Since the Company has significant influence, but less than a controlling interest, the Company's investment in Del Mar is accounted for using the equity method of accounting.

The Company provided Del Mar with farm management, orchard land development, and accounting services, which resulted in cash receipts of \$134,000, \$136,000, and \$128,000 in fiscal years 2009, 2008, and 2007, respectively. The Company also performed contract lemon packing services for Del Mar in the amount of \$425,000, \$415,000, and \$528,000 in fiscal years 2009, 2008, and 2007, respectively. Fruit proceeds due to Del Mar were \$125,000 and \$354,000 at October 31, 2009 and 2008, respectively.

Vista Pointe, LLC

The Company and Priske Jones, Inc. each owned a 50% interest in Vista Pointe, LLC, which was formed in 1996 for the purpose of developing 9 estate lots and 28 single-family homes in Santa Paula, CA. Since the Company had significant influence, but less than a controlling interest, the Company's investment in Vista Pointe, LLC was accounted for using the equity method of accounting. In fiscal 2009, the 10-year liability period for construction defects expired, and Vista Pointe, LLC was liquidated. Prior to its liquidation, Vista Pointe, LLC distributed \$7,000 to the Company during fiscal year 2009. The remaining \$6,000 equity investment balance was written off by the Company during fiscal year 2009.

Windfall Investors, LLC

In September 2005, the Company, along with Windfall, LLC (Windfall), formed a partnership, Windfall Investors, LLC (Investors). Also, in September of 2005, Investors purchased a 724-acre ranch in Creston, California (the Ranch), for \$12,000,000.

The Company and Windfall each made initial capital contributions to Investors of \$300 (15% ownership interest) and \$1,700 (85% ownership interest), respectively. To fund the purchase of the Ranch, Investors secured a long-term loan from Farm Credit West (the Bank) for \$9,750,000 (term loan). The remaining \$2,250,000 of the purchase was provided from an \$8,000,000 revolving line of credit (revolving line of credit) provided to Investors by the Bank under an agreement entered into between Investors and the Bank in September 2005. In May 2008, the Bank agreed to increase the total line of credit available to Investors from \$8,000,000 to \$10,500,000. The total indebtedness outstanding under the term loan and the revolving line of credit are guaranteed, jointly and severally, by the Company and Windfall. At October 31, 2009 and 2008, there was \$19,186,000 and \$18,056,000, respectively, outstanding under the term loan and the revolving line of credit.

In fiscal 2008, the Company and Windfall amended its Operating Agreement for Investors. Effective January 1, 2007, net profits or net losses from operation of the Ranch's equestrian facilities were agreed to be shared by the Company and Windfall 0% and 100%, respectively. Net profits or net losses from the sale or disposition of the Ranch were agreed to be shared by the Company and Windfall 15% and 85%, respectively.

The Company has a variable interest in Investors (which is deemed to be a variable interest entity). However, the Company is not required to consolidate Investors since the Company is not the primary beneficiary of Investors due to the Company not being required to absorb a majority of Investor's expected losses or receive a majority of Investor's expected residual returns.

Since the Company has significant influence, but less than a controlling interest, the Company accounts for its investment in Investors using the equity method of accounting. See Note 21 for details on the subsequent event transaction related to Investors.

Romney Property Partnership

In May 2007, the Company and an individual formed the Romney Property Partnership (Romney) for the purpose of owning an office building and adjacent lot in Santa Paula, California. The Company paid \$489,000 in 2007 for 75% interest in Romney and contributed an additional \$30,000 to the partnership during fiscal 2008. The terms of the partnership agreement affirm the status of the Company as a noncontrolling investor in the partnership since the Company cannot exercise unilateral control over the partnership. Since the Company has significant influence, but less than a controlling interest, the Company's investment in Romney is accounted for using the equity method of accounting. Net profits, losses, and cash flows of Romney are shared by the Company and the individual 75% and 25%, respectively.

The following are condensed (unaudited) financial statements of the equity method investees for the years ended October 31, 2009, 2008, and 2007, respectively:

	<u>Del Mar</u>	<u>Vista Pointe</u>	<u>Investors</u>	<u>Romney</u>	<u>Total</u>
2009					
Assets	\$ 1,656,000	\$ —	\$ 12,435,000	\$ 680,000	\$ 14,771,000
Liabilities	\$ —	\$ —	\$ 19,492,000	\$ —	\$ 19,492,000
Equity (deficit)	1,656,000	—	(7,057,000)	680,000	(4,721,000)
Total liabilities and equity	<u>\$ 1,656,000</u>	<u>\$ —</u>	<u>\$ 12,435,000</u>	<u>\$ 680,000</u>	<u>\$ 14,771,000</u>
Revenues	\$ 846,000	\$ —	\$ 660,000	\$ 16,000	\$ 1,522,000
Expenses	735,000	10,000	1,948,000	19,000	2,712,000
Net income (loss)	<u>\$ 111,000</u>	<u>\$ (10,000)</u>	<u>\$ (1,288,000)</u>	<u>\$ (3,000)</u>	<u>\$ (1,190,000)</u>
2008					
Assets	\$ 1,857,000	\$ 10,000	\$ 12,616,000	\$ 683,000	\$ 15,166,000
Liabilities	\$ —	\$ —	\$ 18,385,000	\$ —	\$ 18,385,000
Equity (deficit)	1,857,000	10,000	(5,769,000)	683,000	(3,219,000)
Total liabilities and equity (deficit)	<u>\$ 1,857,000</u>	<u>\$ 10,000</u>	<u>\$ 12,616,000</u>	<u>\$ 683,000</u>	<u>\$ 15,166,000</u>
Revenues	\$ 2,430,000	\$ —	\$ 968,000	\$ 21,000	\$ 3,419,000
Expenses	698,000	2,000	2,879,000	19,000	3,598,000
Net income (loss)	<u>\$ 1,732,000</u>	<u>\$ (2,000)</u>	<u>\$ (1,911,000)</u>	<u>\$ 2,000</u>	<u>\$ (179,000)</u>
2007					
Assets	\$ 2,781,000	\$ 12,000	\$ 13,056,000	\$ 652,000	\$ 16,501,000
Liabilities	\$ —	\$ —	\$ 16,914,000	\$ —	\$ 16,914,000
Equity (deficit)	2,781,000	12,000	(3,858,000)	652,000	(413,000)
Total liabilities and equity (deficit)	<u>\$ 2,781,000</u>	<u>\$ 12,000</u>	<u>\$ 13,056,000</u>	<u>\$ 652,000</u>	<u>\$ 16,501,000</u>
Revenues	\$ 2,172,000	\$ —	\$ 1,638,000	\$ 12,000	\$ 3,822,000
Expenses	648,000	2,000	3,424,000	11,000	4,085,000
Net income (loss)	<u>\$ 1,524,000</u>	<u>\$ (2,000)</u>	<u>\$ (1,786,000)</u>	<u>\$ 1,000</u>	<u>\$ (263,000)</u>

Limoneira Company's investment and equity in (losses) earnings of the equity method investees are as follows:

	<u>Del Mar</u>	<u>Vista Pointe</u>	<u>Investors</u>	<u>Romney</u>	<u>Total</u>
Investment balance October 31, 2006	\$ 1,352,000	\$ 13,000	\$ (1,036,000)	\$ –	\$ 329,000
Equity earnings (losses)	357,000	–	(268,000)	–	89,000
Cash distribution	(362,000)	–	–	–	(362,000)
Investment contributions	37,000	–	–	489,000	526,000
Investment balance October 31, 2007	<u>1,384,000</u>	<u>13,000</u>	<u>(1,304,000)</u>	<u>489,000</u>	<u>582,000</u>
Equity earnings (losses)	405,000	–	(252,000)	–	153,000
Cash distribution	(623,000)	–	–	–	(623,000)
Investment contributions	–	–	–	30,000	30,000
Investment balance October 31, 2008	<u>1,166,000</u>	<u>13,000</u>	<u>(1,556,000)</u>	<u>519,000</u>	<u>142,000</u>
Equity earnings (losses)	26,000	(6,000)	(186,000)	(4,000)	(170,000)
Cash distribution	(72,000)	(7,000)	–	–	(79,000)
Investment balance October 31, 2009	<u>\$ 1,120,000</u>	<u>\$ –</u>	<u>\$ (1,742,000)</u>	<u>\$ 515,000</u>	<u>\$ (107,000)</u>

The Company's equity method investment balances in Del Mar, Vista Pointe and Romney are included in equity in investments in the Company's consolidated balance sheets at October 31, 2009 and 2008, respectively.

The Company is required to record a negative equity method investment balance (which is subsequently reclassified to other-long term liabilities) for Investors since the Company has guaranteed Investor's outstanding indebtedness under its term loan and revolving line of credit. The Company's negative equity method investment balance for Investors is included in other long-term liabilities in the Company's consolidated balance sheets at October 31, 2009 and 2008, respectively.

7. Investment in Calavo Growers, Inc.

In June 2005, the Company entered into a stock purchase agreement with Calavo. Pursuant to this agreement, the Company purchased 1,000,000 shares, or approximately 6.9%, of Calavo's common stock for \$10,000,000 and Calavo purchased 172,857 shares, or approximately 15.1%, of the Company's common stock for \$23,450,000. Under the terms of the agreement, the Company received net cash consideration of \$13,450,000. The Company has classified its marketable securities investment as available-for-sale.

In fiscal year 2009, the Company sold 335,000 shares of Calavo stock for a total of \$6,079,000; recognizing a total gain of \$2,729,000 which was recorded in other income (expense) in the Company's consolidated statement of operations for the year ended October 31, 2009. Additionally, the changes in the fair value of the available-for-sale securities result in unrealized holding gains or losses for the remaining shares held by the Company. In fiscal year 2009, the Company recorded a total unrealized holding gain of \$5,070,000 due to the increase in the market value of the Company's remaining 665,000 shares of Calavo common stock at October 31, 2009. In fiscal year 2008, the Company recorded a total unrealized holding loss of \$12,760,000 due to the decrease in the market value of its 1,000,000 shares of Calavo common stock at October 31, 2008.

8. Notes Receivable

In fiscal year 2004, the Company sold a parcel of land in Morro Bay, California. The sale was recognized under the installment method and the resulting gain on sale of \$161,000 was deferred. In connection with the sale, the Company recorded a note receivable of \$4,263,000. Principal of \$2,963,000 and interest was paid in April 2005 and \$112,000 of the deferred gain was recognized as income at that time. The remaining \$49,000 balance of the deferred gain is included in accrued liabilities in the Company's consolidated balance sheets at October 31, 2009 and 2008. The remaining principal balance of \$1,300,000 and the related accrued interest was initially payable in April 2009 and was recorded in current notes receivable in the Company's consolidated balance sheet at October 31, 2008. However, the Company and the buyer of the Morro Bay land executed a note extension agreement in March 2009. Based on the terms of the note extension agreement, the remaining principal balance of \$1,300,000 and the related accrued interest is now required to be paid in full on April 1, 2014, and is being recorded in noncurrent notes receivable in the Company's consolidated balance sheet at October 31, 2009. Interest continues to accrue at 7.0% on the principal balance of the note.

In connection with the lease of a retail facility, the Company recorded a note receivable in May 2007 of \$350,000. The note bears interest at the Prime rate plus 2.00%, payable monthly. This note is unsecured and matures in May 2012. The note receivable balance was \$350,000 at October 31, 2009 and 2008, respectively and is being recorded in noncurrent notes receivable in the Company's consolidated balance sheets.

In connection with Company's stock grant program (see Note 18), the Company has recorded total notes receivable and accrued interest from related parties of \$1,803,000 and \$1,456,000 at October 31, 2009 and 2008, respectively. These notes were issued in connection with payments made by the Company on behalf of its employees for payroll taxes on stock compensation. These notes bear interest at the mid-term applicable federal rate then in effect, with principal and accrued interest due and payable within 24 months from the date of the note. A portion of the notes receivable and accrued interest balance related to three employees (the Officers) became due in November and December 2009. As such, the total \$1,519,000 notes receivable and accrued interest due to be paid by the Officers within one year at October 31, 2009 is recorded in current notes receivable – related parties in the Company's consolidated balance sheet at October 31, 2009. The remaining \$284,000 notes receivable and accrued interest balance from employees that are not due to be paid within one year at October 31, 2009 is recorded in noncurrent notes receivable – related parties in the Company's consolidated balance sheet at October 31, 2009. See Note 21 for details on the subsequent event related to these Officers notes receivable balances.

9. Other Assets

Other assets at October 31 are comprised of the following:

	<u>2009</u>	<u>2008</u>
Investments in mutual water companies	\$ 1,205,000	\$ 1,175,000
Acquired water and mineral rights	1,536,000	1,536,000
Definite-lived intangibles and other assets	1,052,000	628,000
Revolving funds and memberships	514,000	575,000
	<u>\$ 4,307,000</u>	<u>\$ 3,914,000</u>

Investments in Mutual Water Companies

The Company's investments in various not-for-profit mutual water companies provide the Company 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. Since the Company does not have the ability to control or exercise significant influence over the operating and financial policies of each of these not-for-profit mutual water companies, the Company is accounting for such investments at historical cost.

Acquired Water and Mineral Rights

Acquired water and mineral rights are indefinite-life intangible assets not subject to amortization. No impairments were identified for these indefinite-life intangible assets for the years ended October 31, 2009 and 2008, respectively.

In July 2007, the Company entered into an agreement to purchase 300 membership shares from a member of the Santa Paula Basin Pumpers Association (SPBPA) for \$1,500,000. The \$1,500,000 acquisition price resulted from a bargained exchange transaction that was conducted at arm's length. As such, the Company recorded its SPBPA acquired water rights at its acquisition price and is included in other assets in the Company's consolidated balance sheets. The Company's acquisition of the 300 membership shares of SPBPA constitutes a purchase of water rights with an indefinite life as the water rights go into perpetuity. The Company also acquired other water rights from an unrelated third party in the amount of \$12,000, which is being accounted for consistently with the SPBPA acquired water rights.

The Company's ownership of mineral rights consists of oil and gas deposits located within the Company's Ventura County property boundaries. Similar to its acquired water rights, the Company's acquired mineral rights have an indefinite life as the mineral rights go into perpetuity. The \$24,000 acquisition price resulted from a bargained exchange transaction that was conducted at arm's length. As such, the Company recorded its acquired mineral rights at its acquisition price and is included in other assets in the Company's consolidated balances sheets.

Definite-Lived Intangibles and Other Assets

In fiscal 2003, the Company paid \$150,000 to obtain certain propagation rights (Patent) for an agricultural variety. During fiscal years 2005 and 2006, the Company incurred an additional \$72,000 in costs related to the Patent. The Patent was issued in fiscal year 2007 and is being amortized over its legal life of 17 years. The gross carrying value of the Patent was \$222,000 as of October 31, 2009 and 2008, respectively. The related accumulated amortization was \$34,000 and \$21,000 at October 31, 2009 and 2008, respectively. The Company recorded amortization expense of \$13,000 for fiscal years 2009 and 2008, respectively.

The Company expects to amortize \$13,000 each year for fiscal years 2010 through 2014 related to its Patent. The remaining amounts in other assets consist primarily of deferred borrowing costs (see Note 11), amounts invested in the racing career of Charlie Kimball (see Note 13), deferred rent asset (See Note 17) and prepaid pollination equipment (see Note 17).

Revolving Funds and Memberships

Revolving funds and memberships represent the Company's investments in various cooperative associations. The Company pays to Sunkist and certain other cooperatives an annual assessment based on sales volume or other criteria. These funds are typically held for five years at which time they are refunded to the Company. Revolving funds related to the Company's fruit packed at outside packinghouses are withheld from payments made to the Company during the year and also refunded, typically in five years.

10. Discontinued Operations

In December 2005, Limoneira Company International Division, LLC entered into an agreement whereby it acquired substantially all of the assets, liabilities, and operations of Movin' Mocha (Mocha), a California general partnership. The initial purchase price of \$1,000,000 was payable \$500,000 at closing, \$250,000 on the first anniversary of the closing and \$250,000 on the second anniversary of the closing. Mocha owned and operated coffee houses and coffee carts in seven locations in the Modesto-Fresno corridor. Additionally, Mocha owned and operated a bakery facility.

In October 2006, the Company decided, that because of continuing operational losses in its retail coffee and coffee distribution businesses, it would exit the coffee business. In connection with that decision, the Company approved a plan to exit the retail coffee and coffee distribution business. Sales and operating losses for fiscal year 2009 were \$8,000 and \$22,000, respectively. Sales and operating losses for fiscal year 2008 were \$181,000 and \$418,000, respectively. Sales and operating losses for fiscal 2007 were \$1,101,000 and \$408,000, respectively. During fiscal year 2007, as a result of an arbitration agreement, the Company finalized the purchase of Mocha with a cash payment of \$650,000. The remaining balances due on the purchase price, plus interest, were paid in full and the retail coffee and coffee distribution business incurred an additional charge to income of \$75,000 related to the final settlement. Additionally, in fiscal year 2007 the Company wrote down the carrying value of a retail building by \$100,000. In fiscal year 2008, the Company ceased operations in all of Mocha's retail facilities, sold the business along with certain assets, and then proceeded to sell or dispose of all of the remaining assets. At October 31, 2008 the purchaser of one of Mocha's retail buildings was in default on a note to the Company and the Company initiated the process of foreclosure procedures.

As a result, the retail coffee and coffee distribution business incurred a charge to income of \$86,000 in fiscal year 2008. The foreclosure was finalized in fiscal year 2009, at which time the ownership rights to the building reverted back to the Company.

The assets and liabilities of the coffee business at October 31 are comprised of the following:

	<u>2009</u>	<u>2008</u>
Cash	\$ 4,000	\$ 1,000
Accounts receivable	3,000	14,000
Prepaid expenses	2,000	1,000
Deferred taxes	277,000	301,000
Notes receivable	161,000	156,000
Total assets	<u>\$ 447,000</u>	<u>\$ 473,000</u>
Accounts payable	\$ 2,000	\$ 5,000
Accrued liabilities	-	21,000
Total liabilities	<u>\$ 2,000</u>	<u>\$ 26,000</u>

11. Long-Term Debt

Long-term debt at October 31 is comprised of the following:

	<u>2009</u>	<u>2008</u>
Rabobank revolving credit facility secured by property with a net book value of \$7,618,000. The interest rate is variable based on the one-month London Interbank Offered Rate plus 1.50%. Interest is payable monthly and the principal is due in full in June 2013.	\$ 61,671,000	\$ 57,123,000
Central Coast Federal Land Bank Association loan secured by property with a net book value of \$11,674,000. The interest rate is variable and was 3.25% at October 31, 2009. The loan is payable in quarterly installments through November 2022.	7,094,000	7,483,000
Central Coast Federal Land Bank Association loan secured by property with a net book value of \$11,674,000. The interest rate is variable and was 3.25% at October 31, 2009. The loan is payable in monthly installments through May 2032.	951,000	976,000
Subtotal	<u>69,716,000</u>	<u>65,582,000</u>
Less current portion	465,000	382,000
Total long-term debt, less current portion	<u>\$ 69,251,000</u>	<u>\$ 65,200,000</u>

In October 2001, the Company entered into a credit arrangement with City National Bank whereby it could borrow up to \$10,000,000 on an unsecured line of credit, which was renewed in March 2004 and May 2006, and increased to \$15,000,000 in March 2007. There were no amounts outstanding at October 31, 2008, under this arrangement. Additionally, the credit arrangement allowed for an additional \$5,000,000 to be made available to the Company for equipment acquisition loans. Loans for equipment expenditures were payable in 16 substantially equal quarterly installments. There were no amounts outstanding at October 31, 2008, under this arrangement. The credit arrangement also allowed for a \$20,000,000 term loan, with interest payable monthly and principal payable in full on April 30, 2008. This credit arrangement expired in fiscal year 2008.

In August 2008, the Company entered into a credit arrangement with Rabobank whereby it could borrow up to \$80,000,000 on a secured line of credit. The initial agreement was superseded by amended agreements in December 2008 and May 2009. All outstanding amounts due under the credit arrangement with City National Bank were repaid with proceeds from the Rabobank credit facility and the City National Bank credit facility which was allowed to expire.

In fiscal year 2009, the Company incurred \$124,000 of costs to Rabobank and other third parties in conjunction with finalizing its debt agreement with Rabobank. Such costs were capitalized and are being amortized using the straight-line method over the terms of the amended Rabobank credit agreement. Included in other assets in the Company's consolidated balance sheet was \$101,000 of capitalized deferred borrowing costs at October 31, 2009. Accumulated amortization related to the capitalized deferred borrowing costs was \$23,000 as of October 31, 2009. The amortization of the deferred borrowing costs is recorded as interest expense in the Company's consolidated statement of operations for the year ended October 31, 2009.

The Company, under the terms of the Rabobank credit arrangement, is subject to an annual financial covenant. At October 31, 2009, the Company was out of compliance with its annual financial covenant for which a covenant waiver was received from Rabobank for the year ended October 31, 2009. Under the terms of the credit arrangement with Rabobank, the financial covenant is not subsequently measured again until October 31, 2010. The Company anticipates being in compliance with its annual financial covenant at October 31, 2010.

In January 2009, the Company and Farm Credit West (FCW) entered into an agreement whereby FCW agreed to convert the fixed interest portion of the two Central Coast Federal Land Bank Association loans to variable rates. The Company incurred \$42,000 of costs to FCW for this rate conversion. Such costs were capitalized and are being amortized using the straight-line method over the terms of the FCW credit agreement. Included in other assets in the consolidated balance sheet was \$40,000 of capitalized deferred borrowing costs at October 31, 2009. Accumulated amortization related to the capitalized deferred borrowing costs was \$2,000 as of October 31, 2009. The amortization of the deferred borrowing costs is recorded as interest expense in the consolidated statement of operations for the year ended October 31, 2009.

Principal payments on the Company's long-term debt are due as follows:

2010	\$ 465,000
2011	480,000
2012	496,000
2013	62,183,000
2014	529,000
Thereafter	5,563,000
Total	<u>\$ 69,716,000</u>

Beginning in fiscal year 2004, the Company utilizes standby letters of credit to satisfy workers' compensation insurance security deposit requirements. At October 31, 2009, these outstanding letters of credit totaled \$472,000.

12. Derivative Instruments and Hedging Activities

The Company enters into interest rate swaps to minimize the risks and costs associated with its financing activities. Derivative financial instruments designated for hedging at October 31 are as follows:

	<u>Notional Amount</u>		<u>Fair Value Net Liability</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Pay fixed-rate, receive floating-rate interest rate swap designated as cash flow hedge, maturing 2013	\$ 22,000,000	\$ 22,000,000	\$ 1,678,000	\$ 541,000
Pay fixed-rate, receive floating-rate interest rate swap designated as cash flow hedge, maturing 2010	10,000,000	10,000,000	287,000	96,000
Pay fixed-rate, receive floating-rate interest rate swap designated as cash flow hedge, maturing 2010	10,000,000	-	206,000	-
Total	<u>\$ 42,000,000</u>	<u>\$ 32,000,000</u>	<u>\$ 2,171,000</u>	<u>\$ 637,000</u>

These interest rate derivatives qualify as cash flow hedges. Therefore, the fair value adjustments to the underlying debt are deferred and included in accumulated other comprehensive income (loss) in the Company's consolidated balance sheets at October 31, 2009 and 2008.

13. Related-Party Transactions

The Company rents certain of its residential housing assets to its employees, including its agribusiness employees. The Company records the rental income generated from these employees in rental revenues in the Company's consolidated statements of operations.

A member of the Company's Board of Directors is currently a Director of a mutual water company in which the Company is an investor. The mutual water company provided water to the Company, for which the Company paid \$267,000 and \$228,000 in fiscal years 2009 and 2008, respectively. Water payments due to the mutual water company were \$51,000 and \$54,000 at October 31, 2009 and 2008, respectively.

The Company has invested in the career of Charlie Kimball, a Formula 1 racing driver, who is related to a member of the Company's Board of Directors. Recorded in other assets in the Company's consolidated balance sheets are total investments made to Charlie Kimball of \$300,000 and \$200,000 as of October 31, 2009 and 2008, respectively.

The amount invested by the Company is to be used by Charlie Kimball to further his career goal of becoming a Formula One driver. The terms of the investments provide that each \$100,000 investment will be repaid to the Company upon the first to occur of any of the following: (a) Charlie Kimball enters university as a full-time student, which the Company refers to as the student trigger; (b) Charlie Kimball reaches the position of a full-time salaried driver in the Formula One World Championship, which the Company refers to as the F1 trigger; and (c) the Company exercises the option to have its investment repaid, which may not occur prior to January 23, 2010, which is referred to as the investor trigger. For each \$100,000 investment, the Company will be repaid the following amounts: (x) in the event of the student trigger, the Company will be repaid the amount of its investment; (y) in the event of the F1 trigger, the Company will be repaid twice its investment in three equal annual installments beginning 120 days following the day the F1 trigger occurs; and (z) in the event of the investor trigger, the Company will be repaid the amount of its investment within one year after the investor trigger is exercised with an additional \$25,000 payment if Charlie Kimball is a professional (salaried) racing driver on the day the investor trigger is exercised.

In fiscal years 2009, 2008, and 2007, the Company recorded dividend income of \$350,000, \$350,000, and \$320,000, respectively, on its investment in Calavo; which is included in other income (loss), net in the Company's consolidated statements of operations. Sales of the Company's avocados by Calavo totaled \$4,026,000, \$3,502,000, and \$3,185,000 for fiscal years 2009, 2008 and 2007, respectively. Such amounts are included in agriculture revenues in the Company's consolidated statements of operations. There were no amounts that were receivable by the Company from Calavo at October 31, 2009 or 2008. Additionally, the Company leases office space to Calavo and received annual rental income of \$229,000, \$220,000, and \$220,000 in fiscal years 2009, 2008, and 2007, respectively. Such amounts are included in rental revenues in the Company's consolidated statements of operations.

14. Income Taxes

The components of the provisions for income taxes (from continuing operations) for fiscal years 2009, 2008, and 2007 are as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Current:			
Federal	\$ 459,000	\$ 1,347,000	\$ 663,000
State	225,000	528,000	208,000
Total current provision	<u>684,000</u>	<u>1,875,000</u>	<u>871,000</u>
Deferred:			
Federal	(2,306,000)	182,000	230,000
State	(669,000)	71,000	76,000
Total deferred (benefit) provision	<u>(2,975,000)</u>	<u>253,000</u>	<u>306,000</u>
Total (benefit) provision	<u>\$ (2,291,000)</u>	<u>\$ 2,128,000</u>	<u>\$ 1,177,000</u>

The income tax provision differs from the amount which would result from the statutory federal income tax rate primarily as a result of dividend exclusions, the domestic production activities deduction, and state income taxes.

Deferred income taxes reflect the net of temporary differences between the carrying amount of the assets and liabilities for financial reporting and income tax purposes.

The components of deferred income tax assets (liabilities) at October 31, 2009 and 2008, are as follows:

	<u>2009</u>	<u>2008</u>
Current deferred income tax assets:		
Labor accruals	\$ 196,000	\$ 150,000
Property taxes	(201,000)	(191,000)
State income taxes	65,000	175,000
Prepaid insurance	93,000	(6,000)
Total current deferred income tax assets	<u>153,000</u>	<u>128,000</u>
Noncurrent deferred income tax liabilities:		
Depreciation	(2,986,000)	(2,926,000)
Amortization	(2,000)	(1,000)
Impairment of real estate development	3,005,000	534,000
Derivative instruments	865,000	254,000
Pension	1,736,000	(30,000)
Other	171,000	312,000
Calavo stock	(2,076,000)	(57,000)
Book and tax basis difference of acquired assets	(9,477,000)	(9,627,000)
Total noncurrent deferred income tax liabilities	<u>(8,764,000)</u>	<u>(11,541,000)</u>
Deferred tax asset related to loss on discontinued operations	277,000	301,000
Net deferred income tax liabilities	<u>\$ (8,334,000)</u>	<u>\$ (11,112,000)</u>

The current deferred income tax asset is being recorded in prepaid expenses and other current assets in the Company's consolidated balance sheets at October 31, 2009 and 2008. The deferred tax asset related to loss on discontinued operations is included in noncurrent assets of discontinued operations in the Company's consolidated balance sheets at October 31, 2009 and 2008.

The income tax provision differs from that computed using the federal statutory rate applied to income before taxes as follows for fiscal years 2009, 2008, and 2007:

	<u>2009</u>		<u>2008</u>		<u>2007</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Provision at statutory rates	\$ (1,753,000)	(34.0)%	\$ 2,006,000	34.0%	\$ 1,218,000	34.0%
State income tax, net of federal benefit	(299,000)	(5.6)%	387,000	6.6%	211,000	5.9%
Dividend exclusion	(83,000)	(1.6)%	(94,000)	(1.6)%	(93,000)	(2.6)%
Production deduction	(127,000)	(2.5)%	(204,000)	(3.5)%	(33,000)	(0.9)%
Change in unrecognized tax benefits	(144,000)	(2.8)%	11,000	0.2%	-	-
Other nondeductible items	115,000	2.2%	22,000	0.4%	(126,000)	(3.5)%
Total income tax (benefit) provision	<u>\$ (2,291,000)</u>	<u>(44.3)%</u>	<u>\$ 2,128,000</u>	<u>36.1%</u>	<u>\$ 1,177,000</u>	<u>32.9%</u>

On November 1, 2007, the Company adopted the provisions related to uncertain tax positions. The Company recorded a cumulative effect adjustment of \$55,000 including interest and penalties, which was accounted for as an adjustment to the beginning balance of retained earnings.

A tabular reconciliation of the total amounts of unrecognized tax benefits at the beginning and end of fiscal years 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Unrecognized tax benefits at the beginning of the year	\$ 164,000	\$ 164,000
Increases in tax positions taken in the prior year	-	-
Decreases in tax positions taken in the prior year	-	-
Increases in tax positions for current year	-	-
Settlements	-	-
Lapse in statute of limitations	(126,000)	-
Unrecognized tax benefits at the end of the year	<u>\$ 38,000</u>	<u>\$ 164,000</u>

Approximately \$33,000 of the unrecognized tax liabilities at October 31, 2009, if recognized, would affect the effective tax rate. The Company does not expect its unrecognized tax benefits to change significantly over the next 12 months.

The Company files income tax returns in the U.S. and California. The Company is no longer subject to U.S. income tax examinations for the fiscal years prior to fiscal year October 31, 2006, and is no longer subject to state income tax examinations for years prior to October 31, 2005. The Company's policy is to recognize interest expense and penalties related to income tax matters as a component of income tax expense. There was \$10,000 of accrued interest and penalties associated with uncertain tax positions as of October 31, 2009.

15. Retirement Plans

Effective December 31, 1991, the Company merged the Limoneira Hourly and Piece Rated Pension Plan and their salaried plan, into the Sunkist Retirement Plan, Plan L (the Plan). All participants became members of the Plan at that time, and all assets became part of the Sunkist Retirement Plan L Trust. Until January 2006, the Plan was administered by the Sunkist Retirement Investment Board. Since January 2006, the Plan has been administered by City National Bank and Mercer Human Resource Consulting.

The Plan is a noncontributory, defined benefit, single employer pension plan, which provides retirement benefits for all eligible employees of the Company. Since Limoneira Company's Defined Benefit Pension Plan is a single employer plan within the Sunkist Master Trust, its liability was not commingled with that of the other plans holding assets in the Master Trust. Limoneira Company has an undivided interest in its assets. Benefits paid by the Plan are calculated based on years of service, highest five-year average earnings, primary Social Security benefit, and retirement age.

The Plan is funded consistent with the funding requirements of federal law and regulations. There were funding contributions of \$300,000 and \$1,200,000, respectively, for fiscal years 2009 and 2008. Plan assets are invested in a group trust consisting primarily of stocks (domestic and international), bonds, real estate trust funds, short-term investment funds and cash. The weighted-average asset allocations at October 31, 2009 and 2008, by asset category, are as follows:

	<u>2009</u>	<u>2008</u>
Asset category:		
Equity	51%	49%
Fixed income	47	47
Cash	<u>2</u>	<u>4</u>
Total	<u>100%</u>	<u>100%</u>

The investment policy has been established to provide a total investment return that will, over time, maintain purchasing power parity for the Plan's variable benefits and keep the Company's plan funding at a reasonable level. The primary asset classes utilized to attain these objectives are equity securities, fixed income securities and all other, with target allocations of 60%, 35%, and 5%, respectively.

The following tables set forth the Plan's net periodic cost, changes in benefit obligation and Plan assets, funded status, amounts recognized in the Company's consolidated balance sheets, additional year-end information and assumptions used in determining the benefit obligations and periodic benefit cost.

The net periodic pension costs for the Company's Defined Benefit Pension Plan for fiscal years 2009 and 2008 were as follows:

	<u>2009</u>	<u>2008</u>
Service cost	\$ 87,000	\$ 85,000
Interest cost	888,000	847,000
Expected return on plan assets	(1,026,000)	(969,000)
Recognized actuarial loss	21,000	358,000
Net periodic pension cost	<u>\$ (30,000)</u>	<u>\$ 321,000</u>

Following is a summary of the Plan's funded status as of October 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 11,175,000	\$ 13,963,000
Service cost	87,000	85,000
Interest cost	888,000	847,000
Benefits paid	(957,000)	(884,000)
Actuarial loss (gain)	3,852,000	(2,836,000)
Benefit obligation at end of year	<u>\$ 15,045,000</u>	<u>\$ 11,175,000</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 11,250,000	\$ 13,794,000
Actual return on plan assets	1,666,000	(2,860,000)
Employer contributions	300,000	1,200,000
Benefits paid	(957,000)	(884,000)
Fair value of plan assets at end of year	<u>\$ 12,259,000</u>	<u>\$ 11,250,000</u>
Funded status:		
(Unfunded) funded status at end of year	<u>\$ (2,786,000)</u>	<u>\$ 75,000</u>
Amounts recognized in statements of financial position:		
Noncurrent assets	\$ -	\$ 75,000
Current liabilities	-	-
Noncurrent liabilities	(2,786,000)	-
Net amount recognized in statement of financial position	<u>\$ (2,786,000)</u>	<u>\$ 75,000</u>
Additional year-end information:		
Accumulated benefit obligation	\$ 15,045,000	\$ 11,175,000
Projected benefit obligation	15,045,000	11,175,000
Fair value of plan assets	12,259,000	11,250,000
Weighted-average assumptions as of October 31, 2009 and 2008, used to determine benefit obligations:		
Discount rate	5.75%	8.25%
Expected long-term return on plan assets	7.50%	7.50%
Weighted-average assumption used to determine net periodic benefit cost:		
Discount rate	8.25%	6.25%
Expected long-term return on plan assets	7.50%	7.50%

The Company expects to contribute \$1,200,000 to the Plan in fiscal year 2010. Additionally, the following benefit payments are expected to be paid as follows:

2010	\$ 857,000
2011	882,000
2012	894,000
2013	915,000
2014	942,000
2015-2019	5,267,000
Total	<u>\$ 9,757,000</u>

Effective June 30, 2004, the Company froze the Plan and no additional benefit will accrue to participants subsequent to that date. Freezing the Plan resulted in a curtailment gain and related reduction in the projected benefit obligation of \$840,000.

Additionally in 2004, the Company replaced its existing qualified cash or deferred compensation plan maintained under Section 401(k) of the Internal Revenue Code (IRC) with a new plan also maintained under Section 401(k) of the IRC. Under this new plan, the Company, beginning in January 2005, began contributing an amount equal to 4% of an employees' annual earnings beginning after one year of employment. Employees may elect to defer up to 100% of their annual earnings subject to IRC limits. The Company makes additional "dollar for dollar" matching contribution on these deferrals up to 4% of an employee's annual earnings. Employees are 100% vested in the Company's contribution after six years of employment. Participants vest in any matching contribution at a rate of 20% per year beginning after one year of employment. During fiscal years 2009 and 2008, the Company contributed to the new plan and recognized expenses of \$486,000 and \$463,000, respectively.

16. Rental Operating Leases

The Company rents certain of its assets under net operating lease agreements ranging from one month to 20 years. The cost of the land subject to such leases was \$1,658,000 at October 31, 2009. The total cost and accumulated depreciation of buildings, equipment, and building improvements subject to such leases was \$7,870,000 and \$3,185,000, respectively, at October 31, 2009. The Company recognized rental income from its rental operating lease activities of \$3,557,000 in fiscal year 2009, \$3,550,000 in fiscal year 2008, and \$3,358,000 in fiscal year 2007. The Company also recognized contingent rental income related to its organic recycling business of \$209,000 in fiscal year 2009, \$168,000 in fiscal year 2008, and \$158,000 in fiscal year 2007. Such amounts are included in rental revenues in the Company's consolidated statements of operations. The future minimum lease payments to be received by Company related to these net operating lease agreements as of October 31, 2009, are as follows:

2010	\$ 1,549,000
2011	1,431,000
2012	1,329,000
2013	438,000
2014	400,000
Thereafter	<u>2,020,000</u>
Total	<u>\$ 7,167,000</u>

17. Commitments and Contingencies

Operating Leases

The Company has entered into three operating leases for agricultural land totaling 480 acres for purposes of expanding the Company's production of citrus and avocados. One lease provides for an adjustment to rent for inflation. The Company also has operating leases for pollinating equipment, packinghouse equipment, and photovoltaic generators (see below). Total lease expense for fiscal years 2009, 2008 and 2007 was \$1,681,000, \$449,000, and \$377,000, respectively. In addition, the Company has made prepayments for the lease of the pollination equipment totaling \$159,000. These prepayments are included in other assets in the Company's consolidated balance sheets at October 31, 2009 and 2008, respectively, and will be expensed over the last year of the lease based on the terms of the arrangement with the lessor.

During fiscal year 2008, the Company entered into a contract with Perpetual Power, LLC (Perpetual) to install a 1,000 KW photovoltaic generator in order to provide electrical power for the Company's lemon packinghouse operations. The facility became operational in October 2008. Farm Credit West provided financing for the generator and upon completion of the construction Perpetual sold the generator to Farm Credit West. The Company then signed a 10-year operating lease agreement with Farm Credit West. During the 10-year lease term, Perpetual will warrant that the generator is free from defects in material and workmanship. At the end of the 10 year lease term, the Company will have an option to purchase the generator from Farm Credit West.

Additionally in fiscal year 2008, the Company entered into a contract with Perpetual to install a second 1,000 KW photovoltaic generator in order to provide electrical power for the Company's farming operations in Ducor, California. Farm Credit West provided the financing for the generator and when construction was completed, Perpetual sold the generator to Farm Credit West. The Company then entered into a 10-year operating lease agreement with Farm Credit West for this facility. The generator in Ducor, California became operational in December 2008. Included in other assets in the Company's consolidated balance sheet at October 31, 2009, is \$195,000 of deferred rent asset related to the Company's Ducor solar lease as the minimum lease payments exceed the straight-line rent expense during the earlier terms of the lease.

Minimum future lease payments are as follows:

2010	\$ 1,620,000
2011	1,561,000
2012	1,462,000
2013	1,339,000
2014	853,000
Thereafter	<u>3,341,000</u>
Total	<u>\$ 10,176,000</u>

Litigation

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.

18. Stockholders' Equity

Series B Convertible Preferred Stock:

In 1997, in connection with the acquisition of Ronald Michaelis Ranches, Inc., the Company issued 30,000 shares of Series B Convertible Preferred Stock at \$100 par value (the Series B Stock).

Dividends: The holders of shares of Series B Stock shall be entitled to receive cumulative cash dividends at an annual rate of 8.75% of par value. Such dividends are payable quarterly on the first day of January, April, July, and October in each year commencing July 1, 1997.

Voting Rights: Each share of Series B Stock shall be entitled to one vote on all matters submitted to a vote of the stockholders of the Company

Redemption: The Company, at the option of the Board of Directors, may redeem the Series B Stock, as a whole or in part, at any time or from time to time on or after July 1, 2017 and before June 30, 2027, at a redemption price equal to the par value thereof, plus accrued and unpaid dividends thereon to the date fixed for redemption.

Conversion: The holders of Series B Stock shall have the right, at their option, to convert such shares into shares of Common Stock of the Company at any time prior to redemption. The conversion price shall initially be \$80.00 per share of Common Stock. Pursuant to the terms of the Certificate of Designation, Preferences and Rights of the Series B Stock, the conversion price shall be adjusted to reflect any dividends paid in Common Stock of the Company, the subdivision of the Common Stock of the Company into a greater number of shares of Common Stock of the Company, or upon the advice of legal counsel.

The Company is not mandatorily required to redeem the Series B Stock and the redemption of the Series B Stock is within the control of the Company. The Series B Stock is not redeemable at a fixed date or at the option of the Series B Stock shareholders. In addition, the Series B Stock is redeemable upon the occurrence of an event that is solely within the control of the Company. Lastly, any potential settlement of the Series B Stock between the Company and the Series B Stock shareholders would be required to be settled in cash. As such, the Company has recorded its \$3,000,000 equity contribution related to its Series B Stock in stockholders' equity in the Company's consolidated balance sheets.

Series A Junior Participating Preferred Stock:

On October 31, 2006, the Company authorized 20,000 shares of Series A Junior Participating Preferred Stock at \$.01 par value (the Series A Stock). Additionally, on October 31, 2006, the Company declared a dividend to be distributed on December 20, 2006, to each holder of record of the Company's Common Stock the right to purchase one one-hundredth of a share of Series A Stock. If a triggering event occurs, the Board of Directors has the option to allow rights holders to exercise their rights (see Shareholder Rights Agreement below).

Dividends: The holders of shares of Series A Stock shall be entitled to receive cash dividends in an amount per share equal to the greater of (a) \$1.00 or (b) 100 times the aggregate per share amount of all cash dividends and 100 times the aggregate per share amounts of all non-cash dividends, other than a dividend payable in Common Stock, declared on the Common Stock. Such dividends are payable quarterly on the fifteenth day of January, April, July and October in each year commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of shares of the Series A Stock.

Voting Rights: Each share of Series A Stock shall be entitled to one hundred votes on all matters submitted to a vote of the stockholders of the Company.

Redemption: The shares of Series A Stock shall not be redeemable.

Conversion: The shares of Series A Stock shall not be convertible.

Stock Option Plan/Stock Grant Program:

In 2002, the Company adopted a stock grant program for key employees, which replaced its stock option and stock appreciation rights plan for key employees. As of October 31, 2009 and 2008, there were no stock options outstanding. There are currently 5,143 shares outstanding that are subject to repurchase by the Company with an estimated repurchase price value of \$156,000 at October 31, 2009. The Company has determined that the terms of the shares outstanding subject to repurchase constitute a liability due to the repurchase right. This repurchase obligation is included in other long-term liabilities in the Company's consolidated balance sheet at October 31, 2009.

In August 2007, the Company adopted a stock grant performance bonus program (the Program) for senior management. In fiscal 2008, 3,750 shares of common stock were granted to senior management in recognition of the achievement of certain performance goals during fiscal year 2007. In fiscal year 2007, 7,500 shares of common stock were granted to senior management in recognition of performance in years prior to fiscal year 2007. All shares granted under the Program were fully vested as of the date of issuance. In fiscal year 2007, the Company recognized compensation expense of \$3,187,000 in connection with the grants. This expense was included in selling, general and administrative expense in the Company's consolidated statement of operations during fiscal year 2007. A mark-to-market reduction of expenses of approximately \$78,000 was recorded in fiscal year 2008 for the shares granted in fiscal year 2008 but having been authorized in fiscal year 2007.

Shares issued under the Program are subject to a right-of-first refusal by the Company during the first two years following issuance of such shares. The Company, upon request by the grantee, in its sole discretion, may repurchase from the grantee a number of shares granted that, when multiplied by the repurchase price will enable the grantee to pay the state and federal income tax liabilities associated with the compensation to the employee in connection with the grant. Alternatively, the Company, in its sole discretion, can make loans to the grantees in amounts sufficient to pay the income tax liabilities associated with the grants. Each loan is evidenced by a promissory note bearing interest at the mid-term applicable federal rate then in effect, with principal and accrued interest due and payable within 24 months from the date of the note. The notes are secured by delivery to the Company of a share certificate having a value equal to 120% of the amount of the loan.

On an ongoing basis, the Board of Directors establishes performance goals during the first quarter of a fiscal year, and at the end of that fiscal year, a determination is made as to the level of attainment of those established goals. Based on that level of attainment, up to 3,750 shares may be granted. In lieu of not attaining the performance goals, the Board of Directors, in its sole discretion, may grant the shares for special achievements that fall outside of the established performance goals. Additionally, the Board of Directors may in the future amend the Program to, among other things, increase or decrease the shares available to be granted under the Program, terminate the Program, or include additional participants in the Program.

During fiscal year 2008, the Company adopted a compensation program for its Board of Directors providing for, among other things, stock-based compensation. In fiscal year 2009, 1,086 shares were granted to the Board of Directors and the Company recognized \$168,000 of expense in connection with these grants. In fiscal year 2008, 774 shares were granted to the Board of Directors and the Company recognized \$180,000 of expense in connection with these grants.

Additionally in fiscal year 2008, the Company adjusted its stock grant performance bonus program to include additional members of management. In December 2008, 11,962 shares were issued to management, with one-third of the shares vesting as of the December 2008 issue date and the remaining shares vesting in fiscal years 2009, 2010, and 2011. In fiscal year 2009, the Company recognized \$446,000 of expense in connection with the vesting of these shares. In fiscal year 2008, the Company recognized \$498,000 of expense in connection with the program for the achievement of certain performance goals during fiscal year 2008.

Shareholder Rights Agreement:

During fiscal year 2007, the Company entered into a shareholder rights agreement with The Bank of New York acting as rights agent. In connection with this agreement, on October 31, 2006, the Company's Board of Directors adopted a resolution creating a series of 20,000 shares of Preferred Stock designated as Series A Junior Participating Preferred Stock, \$.01 Par Value. There were no shares of this stock issued and/or outstanding at October 31, 2008 and 2007, respectively. Also in connection with this agreement, on October 31, 2006, the Company's Board of Directors authorized and declared a dividend distribution of one "Right" (as defined by the agreement) for each share of common stock outstanding on December 20, 2006. Each "Right" represents the right to purchase one one-hundredth of a share of the above referenced Junior Preferred Stock. If a triggering event (as defined by the agreement) occurs, the Board of Directors has the option to allow rights holders to exercise their rights under the agreement.

19. Segment Information

During fiscal year 2009, the Company operated and tracked results in three reportable operating segments; agri-business, rental operations, and real estate development. The reportable operating segments of the Company are strategic business units with different products and services, distribution processes and customer bases. The agri-business segment includes farming and citrus packing operations. The rental operations segment includes housing and commercial rental operations, leased land, and organic recycling. The real estate development segment includes real estate development operations. The Company measures operating performance, including revenues and earnings, of its operating segments and allocates resources based on its evaluation. The Company does not allocate selling, general and administrative expense, other income (expense), interest expense, income tax expense and assets, or specifically identify them to its operating segments. Revenues from Sunkist represent \$22,252,000 of the Company's agri-business revenues for fiscal year 2009.

Segment information for year ended October 31, 2009:

	<u>Agri-business</u>	<u>Rental Operations</u>	<u>Real Estate Development</u>	<u>Corporate and Other</u>	<u>Total</u>
Revenues	\$ 31,033,000	\$ 3,766,000	\$ 39,000	\$ –	\$ 34,838,000
Costs and expenses	27,281,000	2,061,000	318,000	6,469,000	36,129,000
Impairment charges	–	–	6,203,000	–	6,203,000
Loss on sale of assets	–	–	–	10,000	10,000
Operating income (loss)	<u>\$ 3,752,000</u>	<u>\$ 1,705,000</u>	<u>\$ (6,482,000)</u>	<u>\$ (6,479,000)</u>	<u>\$ (7,504,000)</u>

Segment information for year ended October 31, 2008:

	<u>Agri-business</u>	<u>Rental Operations</u>	<u>Real Estate Development</u>	<u>Corporate and Other</u>	<u>Total</u>
Revenues	\$ 49,794,000	\$ 3,718,000	\$ –	\$ –	\$ 53,512,000
Costs and expenses	34,805,000	2,236,000	991,000	8,292,000	46,324,000
Impairment charges	–	–	1,341,000	–	1,341,000
Loss on sale of assets	–	–	–	11,000	11,000
Operating income (loss)	<u>\$ 14,989,000</u>	<u>\$ 1,482,000</u>	<u>\$ (2,332,000)</u>	<u>\$ (8,303,000)</u>	<u>\$ 5,836,000</u>

Segment information for year ended October 31, 2007:

	<u>Agri-business</u>	<u>Rental Operations</u>	<u>Real Estate Development</u>	<u>Corporate and Other</u>	<u>Total</u>
Revenues	\$ 44,751,000	\$ 3,516,000	\$ –	\$ –	\$ 48,267,000
Costs and expenses	32,036,000	2,073,000	1,160,000	9,627,000	44,896,000
Impairment charges	–	–	–	–	–
Loss on sale of assets	–	–	–	56,000	56,000
Operating income (loss)	<u>\$ 12,715,000</u>	<u>\$ 1,443,000</u>	<u>\$ (1,160,000)</u>	<u>\$ (9,683,000)</u>	<u>\$ 3,315,000</u>

The following table sets forth revenues by category, by segment for fiscal years 2009, 2008 and 2007:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Lemons	\$ 22,252,000	\$ 40,290,000	\$ 35,345,000
Avocados	4,026,000	3,502,000	3,185,000
Navel oranges	1,933,000	2,412,000	3,184,000
Valencia oranges	688,000	663,000	776,000
Specialty citrus and other crops	<u>2,134,000</u>	<u>2,927,000</u>	<u>2,261,000</u>
Agri-business revenues	31,033,000	49,794,000	44,751,000
Rental operations	2,130,000	2,140,000	2,095,000
Leased land	1,427,000	1,410,000	1,263,000
Organic recycling	<u>209,000</u>	<u>168,000</u>	<u>158,000</u>
Rental operations revenues	3,766,000	3,718,000	3,516,000
Real estate operations	<u>39,000</u>	<u>—</u>	<u>—</u>
Real estate revenues	<u>39,000</u>	<u>—</u>	<u>—</u>
Total revenues	<u>\$ 34,838,000</u>	<u>\$ 53,512,000</u>	<u>\$ 48,267,000</u>

20. Fruit Growers Supply Cooperative

Limoneira Company is a member of Fruit Growers Supply (FGS), a cooperative. FGS sells supplies to non-members. The profits made by these transactions are allocated to all members based on carton purchases. The profits are then distributed to the members through a dividend five to seven years after they are allocated. Limoneira Company currently has been allocated \$1,227,000 for future payments; however, the allocation of profits is subject to approval by the FGS Board of Directors and members may receive amounts less than those originally allocated. The Company will record the amounts ultimately disbursed by FGS as reductions of carton purchases when received. The Company received dividends of \$123,000 and \$62,000 in fiscal years 2009 and 2008, respectively.

21. Subsequent Events

On November 15, 2009, the Company and Windfall entered into an agreement whereby Windfall irrevocably assigned to the Company its entire 85% interest in Investors. In conjunction with obtaining Windfall's 85% interest in Investors, the Company agreed to release Windfall and its individual members from any and all liabilities including any losses with respect to Windfall's previous interest in Investors and any secured and unsecured financing for Investors. The Company has accounted for its acquisition of Windfall's 85% interest in Investors utilizing the business combination guidance noted in FASB ASC 805, *Business Combinations*.

The following unaudited pro forma condensed consolidated balance sheet presented below illustrates the combined balance sheet of the Company as if the acquisition of the Company's interest in Investors as described above occurred at October 31, 2009:

	<u>Limoneira Company 10/31/2009</u>	<u>Windfall Investors, LLC 10/31/2009</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma Balance Sheet</u>
Assets				
Current assets	\$ 7,618,000	\$ 500,000	\$ —	\$ 8,118,000
Property, plant and equipment, net	53,817,000	—	—	53,817,000
Real estate development	53,125,000	11,890,000	5,634,000(1)	70,649,000
Assets held for sale	6,774,000	—	—	6,774,000
Equity in investments	1,635,000	—	—	1,635,000
Investment in Calavo Growers, Inc.	11,870,000	—	—	11,870,000
Notes receivable	2,284,000	—	—	2,284,000
Other assets	4,307,000	45,000	—	4,352,000
Non-current assets of discontinued operations	438,000	—	—	438,000
Total assets	<u>\$ 141,868,000</u>	<u>\$ 12,435,000</u>	<u>\$ 5,634,000</u>	<u>\$ 159,937,000</u>
Liability and stockholders' equity				
Current liabilities	\$ 5,189,000	\$ 10,468,000	\$ —	\$ 15,657,000
Long-term liabilities	84,918,000	9,024,000	(1,423,000)(2)	92,519,000
Stockholders' equity:				
Series B Convertible Preferred Stock	3,000,000	—	—	3,000,000
Series A Junior Participating Preferred Stock	—	—	—	—
Common stock	11,000	—	—	11,000
Additional paid-in capital	34,820,000	—	—	34,820,000
Retained earnings	16,386,000	(7,057,000)	7,057,000(3)	16,386,000
Accumulated other comprehensive income (loss)	<u>(2,456,000)</u>	<u>—</u>	<u>—</u>	<u>(2,456,000)</u>
Total stockholders' equity	<u>51,761,000</u>	<u>(7,057,000)</u>	<u>7,057,000</u>	<u>51,761,000</u>
Total liabilities and stockholders' equity	<u>\$ 141,868,000</u>	<u>\$ 12,435,000</u>	<u>\$ 5,634,000</u>	<u>\$ 159,937,000</u>

Pro forma adjustments to the condensed consolidated Balance Sheet at October 31, 2009, include:

- (1) Adjustment to reflect the estimated fair value on October 31, 2009, of the real estate development assets acquired.
- (2) Adjustments to eliminate Limoneira Company's equity in losses (net of income taxes) of Windfall Investors, LLC as of October 31, 2009.
- (3) Adjustments to eliminate Windfall Investors, LLC accumulated deficits as of October 31, 2009.

The following unaudited pro forma condensed consolidated statement of operations presented below illustrates the results of operations of the Company as if the acquisition of Investors on November 15, 2009, had occurred at November 1, 2008:

	Year Ended October 31, 2009			
	Limoneira Company Year Ending 10/31/2009	Windfall Investors, LLC 12 months ended 10/31/2009	Pro Forma Adjustments	Pro Forma Statement of Operations
Revenues	\$ 35,188,000	\$ 660,000	\$ –	\$ 35,848,000
Costs and expenses	39,613,000	848,000	–	40,461,000
Operating (loss) income	(4,425,000)	(188,000)	–	(4,613,000)
Other income (expense):				
Other income (loss), net	(94,000)	–	–	(94,000)
Interest income	225,000	–	–	225,000
Interest expense	(692,000)	(1,100,000)	–	(1,792,000)
Total other expense	(561,000)	(1,100,000)	–	(1,661,000)
Loss from continuing operations before income taxes and equity earnings	(4,986,000)	(1,288,000)	–	(6,274,000)
Income tax benefit	2,291,000	–	515,000(1)	2,806,000
Equity in earnings (losses) of investments	(170,000)	–	186,000(2)	16,000
(Loss) income from continuing operations	(2,865,000)	(1,288,000)	701,000	(3,452,000)
Loss from discontinued operations, net of income taxes	(12,000)	–	–	(12,000)
Net (loss) income	(2,877,000)	(1,288,000)	701,000	(3,464,000)
Preferred dividends	(262,000)	–	–	(262,000)
Net (loss) income applicable to common stock	<u>\$ (3,139,000)</u>	<u>\$ (1,288,000)</u>	<u>\$ 701,000</u>	<u>\$ (3,726,000)</u>
Basic net loss per share	\$ (2.79)			\$ (3.31)
Diluted net loss per share	\$ (2.79)			\$ (3.31)
Weighted-average shares outstanding-basis	1,124,000			1,124,000
Weighted-average shares outstanding-diluted	1,125,000			1,125,000

Pro forma adjustments to the condensed consolidated statement of operations for the year ended October 31, 2009 include:

- (1) Adjustment to reflect the tax benefit of the Windfall Investors, LLC pre-tax net loss based on Limoneira Company's tax structure and an estimated tax rate of 40%.
- (2) Adjustment to eliminate Limoneira Company's equity in losses of Windfall Investors, LLC for the year ended October 31, 2009.

Other Subsequent Events

At October 31, 2009, the Company had recorded notes receivable and accrued interest related to three employees (the Officers) totaling \$1,707,000; of which \$1,519,000 was recorded in current notes receivable – related parties and \$188,000 was recorded in noncurrent notes receivable –related parties in the Company's consolidated balance sheet. These notes were issued in connection with payments made by the Company on behalf of the Officers for payroll taxes on stock compensation. Subsequent to October 31, 2009, the Officers notes receivable and accrued interest were paid down by \$1,020,000 through the exchange of Company shares that were held by the Officers to the Company. The remaining Officers notes receivable and accrued interest of \$687,000 was forgiven by the Company resulting in compensation expense recorded in fiscal year 2010.

The revolving line of credit for Investors matured in November 2009 and the maturity date was subsequently extended by Farm Credit West until March, 1, 2010. The Company is in the process of refinancing the revolving line of credit on a long-term basis through amendment to the Farm Credit West agreement or alternatively through its existing facility with Rabobank.

On January 4, 2010, the Company paid a \$0.3125 per share dividend in the aggregate amount of \$352,000 to stockholders of record on December 15, 2009.

In December 2009, the Company's Board of Directors approved the Limoneira Company 2010 Omnibus Incentive Plan. The purposes of the 2010 Omnibus Incentive Plan are to promote the interests of the Company and its stockholders by (i) attracting and retaining employees and directors of, and consultants to, the Company and its affiliates, as defined; (ii) motivating such individuals by means of performance-related incentives to achieve longer-range performance goals; and (iii) enabling such individuals to participate in the long-term growth and financial success of the Company. The 2010 Omnibus Incentive Plan will become effective when it is approved by the Company's stockholders.

In February 2010, the Company and HM Manager, LLC formed a limited liability company, HM East Ridge, LLC, for the purpose of developing one of the four Templeton land parcels. The Company made a capital contribution of land into HM Eastridge, LLC. Since the Company has significant influence, but less than a controlling interest, the Company plans on accounting for its investment in HM Eastridge, LLC using the equity method of accounting.

The Company has evaluated events subsequent to October 31, 2009, to assess the need for potential recognition or disclosure in this report. Such events were evaluated through February 12, 2010, the date these consolidated financial statements were issued. Based upon this evaluation, it was determined that no other subsequent events occurred that require recognition or disclosure in the consolidated financial statements.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Limoneira Company

We have audited the accompanying consolidated balance sheets of Limoneira Company (the “Company”) as of October 31, 2009 and 2008, and the related consolidated statements of operations, stockholders’ equity, and cash flows for each of the three years in the period ended October 31, 2009. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company’s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Limoneira Company at October 31, 2009 and 2008, and the consolidated results of its operations and its cash flows for each of the three years in the period ended October 31, 2009, in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

Los Angeles California
February 12, 2010

COLLABORATING FOR ECONOMIC DEVELOPMENT

Economic Development Collaborative-Ventura County



Limoneira is a supporter of the Economic Development Collaborative-Ventura County (EDC-VC). A regional public/private economic development organization, the EDC-VC delivers programs that promote jobs and economic growth and raises overall productivity and incomes. Harold Edwards is the organization's current Chairman.

The Workforce Investment Board



Limoneira partners with the Workforce Investment Board of Ventura County (WIB). This entity administers the distribution of federal Workforce Investment Act funds that are allocated through the State of California to Ventura County. The federal funds help to support the Ventura County Job & Career Centers and other local programs and services that benefit adult and youth job seekers, dislocated workers, and businesses.

VCEDA



The mission of the Ventura County Economic Development Association (VCEDA) is to advocate for policies, legislation and programs that stimulate business and vitalize the economy for a vibrant quality of life in Ventura County. VCEDA gives members an opportunity to interact with Ventura County's civic, corporate, small business and government leaders for a voice in planned, quality growth. Limoneira has a board seat on VCEDA.

The Santa Paula Chamber of Commerce



The mission of the Santa Paula Chamber is "In Business for Business." Limoneira Company has long been a key supporter of this important local business driver and is a member of other major chambers such as the Ventura Chamber of Commerce, Thousand Oaks/Westlake Chamber of Commerce and the Santa Clarita Chamber of Commerce.

Ventura County Health Care Agency



Health care is an important economic driver. The Ventura County Health Care Agency provides a system that ensures access to quality, cost effective, culturally sensitive health care for all, especially the most vulnerable members of our community. This access is provided by over 3,000 extraordinarily dedicated, talented and compassionate Health Care Agency physicians and staff and through our partnerships with public and private community based organizations. Limoneira is a proud supporter.

Education



Limoneira is a charter member of Corporate Promise, a program of the Ventura College Foundation. All Limoneira employees who choose to participate in the program have their tuition, books, parking and other items underwritten by the Company. In just a short time, California State University Channel Islands has become known for its creative, interdisciplinary approach that gives students broader and deeper perspectives. In addition to collaborating with the university in a number of ways, Harold Edwards is a member of the University's Foundation Board. Founded in 1959, California Lutheran University is part of a 500-year-old tradition of Lutheran higher education. Encouraging critical inquiry into matters of both faith and reason, CLU is dedicated to excellence at the undergraduate and graduate levels. Limoneira is a proud supporter of this great institution.

Tourism



Tourism is another important driver for our economy. Limoneira supports a number of festivals and events that bring thousands of people to Santa Paula each year. These festivals showcase the quality of life in our verdant valley. The Santa Paula Chamber's Moonlight at the Ranch, the Citrus Classic Hot Air Balloon Festival, the Citrus Festival, the Downtown Merchant's Hot Summer Jazz & Arts and the Santa Paula Rotary's Faulkner Farm Pumpkin Patch are examples of some of these great festivals.

Public Safety



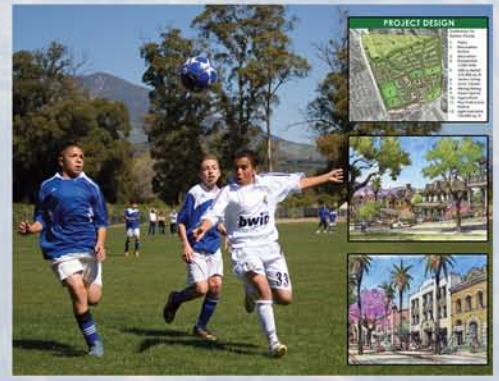
The Santa Paula Police and Fire Foundation was established in 2008 to raise funds to support our public safety officers and augment city budgets. Santa Paula's police and fire departments are composed of skilled professionals, and their efforts ensure that Santa Paula is a safe city. Limoneira representatives sit on the board of the police and fire foundation. Moonlight at The Ranch, the primary fund raiser for the Police and Fire Foundation is celebrating its fourth year at Limoneira. This wonderful event raises much needed funds and raises awareness for Santa Paula to outsiders.

LIMONEIRA
SINCE 1893



LIMONEIRA
SINCE 1893
Calavo
SINCE 1893
1141 CUMMINGS ROAD



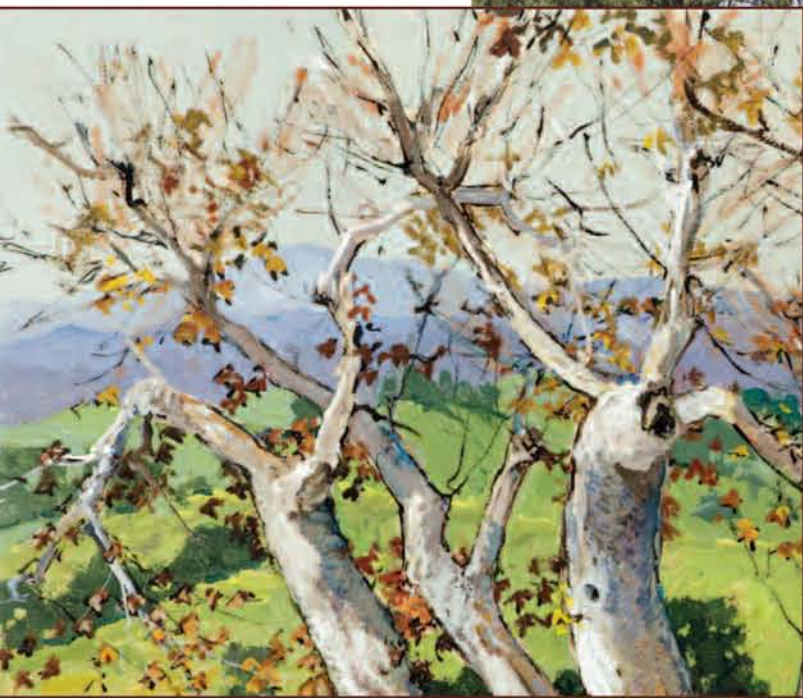


LIMONEIRA

SINCE 1893

REAL ESTATE

AND COMMUNITY DEVELOPMENT



"Tree in front of Priests Quarters" by Douglas Shively
courtesy of Blanchard Library.

Limoneira's Real Estate and Community Development Division contains a variety of residential and commercial products. From sustainable communities to commercial rentals, this division provides diversification to the Company's agricultural operations. **SANTA PAULA EAST AREA 1**, Limoneira's new master-planned community, will have something for everyone including new homes, schools, senior housing, athletic fields, a new community center, outdoor amphitheater and new retail, office and light industrial opportunities that will create new jobs.

The historic Limoneira Building in downtown Santa Paula will become the new **SANTA PAULA ART MUSEUM**. The building was built in 1922 by renowned local architect Roy Wilson, Sr. under the direction of Charles Collins Teague. Original details of the building are being restored to showcase treasures from **DOUGLAS SHIVELY**, Jessie Arms, Cornelis Botke and other artists.

Limoneira has long been an advocate for **WORK FORCE HOUSING** and is the largest private provider of such housing in Ventura County. In 2009, the Company received a permit to build 74 new units on Limoneira properties.

WINDFALL FARMS is a spectacular 724 acre horse farm with one of the finest equestrian facilities in the western United States. The farm was initially developed as the only Kentucky-style thoroughbred farm in California. It was formerly operated as a horse training and boarding facility with a farming operation. Limoneira's management team has been putting residential and commercial development plans in place to maximize the wine growing and equestrian benefits of this unique property located just outside Paso Robles, California .

Limoneira Company is working with experienced real estate development partners to develop **FOUR ENTITLED DEVELOPMENT PARCELS IN NORTHERN SANTA BARBARA COUNTY**. In our experience, this county entitles very few parcels, thus making these four particularly valuable. Located in the charming city of Santa Maria, the parcels offer unique residential and commercial development opportunities.

RANCHO REFUGIO/CALDWELL RANCH is a 449 acre lemon and avocado ranch located just north of Santa Barbara on the California Central Coast. Property amenities include a main ranch house with beautiful mountain views and glimpses of the ocean, four residential income properties and 209 acres of citrus and avocado production. The property is being actively marketed by Parkstone Company.



Limoneira's use of English miniature sheep to keep weeds down is a success. They have proven to be efficient, sustainable workers as they graze among the solar panels. We partner with FFA students who care for the sheep.

ENERGY AND RESOURCE MANAGEMENT

It is both common sense and physics that anything not designed to go on forever simply will not. The founders of Limoneira understood this concept more than a century ago. Intending to build a company that would far outlast them all, they implemented farming and business practices that would now fall under the heading of "SUSTAINABILITY."

Having found success with sustainable practices in the past, Limoneira believes sustainability and good stewardship will help us meet current and future challenges. Balancing this philosophy has allowed Limoneira to create a bridge between agricultural practices and sustainable community development. Not only does sustainability address many environmental and social concerns, it offers innovative and economically viable opportunities for Limoneira, other growers, community planners, laborers, consumers and policy makers. Limoneira incorporates sustainable practices in virtually every aspect of its day-to-day business. For example:

- **LIMONEIRA SOLAR ORCHARDS** produce 2 MW of clean sustainable energy to power our Northern and Southern operations. By farming the sun, we reduce our energy costs significantly and do our part to help our state meet California's Solar Initiative goals of installing 3,000 MW of new grid-connected solar over the next decade.

- A 12-acre facility on Limoneira property receives over 200 tons a day of **RECYCLABLE MATERIALS** for processing. Limoneira's partnership with green waste recycler Agromin helps satisfy California AB 939, the Integrated Waste Management Act that mandates our cities and counties divert 50% of their green waste from landfills. The high nutrient mulch produced at this facility and distributed onto acres of orchards helps us significantly reduce the use of water, herbicides and fertilizers and creates healthier soil through the addition of organic material.

- Limoneira was one of the Founders of Associates Insectary in 1928. It is only natural to use good insects to fight bad bugs. **INTEGRATED PEST MANAGEMENT** is a critical tool in the production of quality agricultural products. IPM is part of the curriculum at The Limoneira Visitors Center where schoolchildren learn about Limoneira's sustainability efforts including the use of beneficial organisms.

- **WATER** is rapidly becoming as valuable as oil. Limoneira takes several steps to protect this important resource, which is vital for agricultural production. Water quality and supply is maintained through rigorous lab testing, filtration systems, reuse, a network of micro sprinklers and mulching to prevent run-off. **EFFICIENCY** is the name of the game in treading lightly on the land and providing bottom line results.





Limoneira Lifestyles is a celebration of the best in 117 years of sustainable California agriculture. This division consists of innovative products and unique agricultural tours to introduce Limoneira to new audiences. Company principles influence the selection of every Limoneira Lifestyles product we offer and every tour we create –A respect for our past, balanced with an eye towards a sustainable future and an appreciation for the land and all things that make our communities balanced.

Our new topical skin care line made its debut this year as part of the Limoneira Lifestyles lineup. These products are lemon and avocado based, and they are natural and dermatologist tested. Most contain a new avocado-based compound, discovered during ethno botanical research, that is a natural promoter of skin metabolism.

LIMONEIRA LIFESTYLES



LIMONEIRA TOURS provides unique offerings whether it is a sustainability tour, a hot air balloon ride, a gourmet lunch or dinner in the orchard, bocce ball in a fragrant grove, or a tour of our historic packinghouse. In 2009, the old store on Limoneira Ranch was transformed into a new Visitor Center with historical, sustainability and agricultural exhibits. It makes a great stop for tour groups. Limoneira's LEED gold certified Southern Operations solar orchard has an observation tower that is also a popular tour stop.

TOURS





LIMONEIRA

SINCE 1893

Limoneira Company 1141 Cummings Road Santa Paula, CA 93060 Phone: 805.525.5541 Fax: 805.525.8211 www.Limoneira.com