

TEJON RANCH CO  
Form 10-Q  
November 07, 2012

---

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q  
(Mark One)

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

For the quarterly period ended September 30, 2012  
Or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number: 1-7183

TEJON RANCH CO.  
(Exact name of Registrant as specified in its charter)

Delaware 77-0196136  
(State or other jurisdiction of (IRS Employer  
incorporation or organization) Identification No.)

P.O. Box 1000, Lebec, California 93243  
(Address of principal executive offices)

Registrant's telephone number, including area code: (661) 248-3000

---

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No  The number of the Company's outstanding shares of Common Stock on November 2, 2012 was 20,082,157.

Table of Contents

TEJON RANCH CO. AND SUBSIDIARIES  
INDEX

	Page No.
PART I. <u>FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements</u>	
<u>Unaudited Consolidated Statements of Operations for the Three Months and Nine Months Ended September 30, 2012 and September 30, 2011</u>	3
<u>Unaudited Consolidated Statements of Comprehensive Income for the Three Months and Nine Months Ended September 30, 2012 and September 30, 2011</u>	4
<u>Consolidated Balance Sheets as of September 30, 2012 (unaudited) and December 31, 2011</u>	5
<u>Unaudited Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2012 and September 30, 2011</u>	6
<u>Unaudited Consolidated Statements of Equity for the Nine Months Ended September 30, 2012</u>	7
<u>Notes to Unaudited Consolidated Financial Statements</u>	8
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	19
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	26
Item 4. <u>Controls and Procedures</u>	28
PART II. <u>OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	28
Item 1A. <u>Risk Factors</u>	28
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	28
Item 3. <u>Defaults Upon Senior Securities</u>	28
Item 4. <u>Mine Safety Disclosures</u>	28
Item 5. <u>Other Information</u>	28
Item 6. <u>Exhibits</u>	30
<u>SIGNATURES</u>	

Table of Contents

## PART I – FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## TEJON RANCH CO. AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	Three Months Ended September 30		Nine Months Ended September 30	
	2012	2011	2012	2011
Revenues:				
Real estate - commercial/industrial	\$6,185	\$5,760	\$18,741	\$15,152
Real estate - resort/residential	132	88	267	15,966
Farming	9,797	8,917	14,534	12,165
Total revenues	16,114	14,765	33,542	43,283
Costs and Expenses:				
Real estate - commercial/industrial	3,089	3,249	9,184	9,435
Real estate - resort/residential	1,430	1,001	3,585	2,878
Farming	5,003	4,825	8,224	8,015
Corporate expenses	2,590	2,655	9,437	8,253
Total expenses	12,112	11,730	30,430	28,581
Operating income	4,002	3,035	3,112	14,702
Other Income:				
Investment income	313	317	948	927
Interest income (expense)	33	—	(2	) —
Other income	15	17	50	77
Total other income	361	334	996	1,004
Income from operations before equity in earnings of unconsolidated joint ventures	4,363	3,369	4,108	15,706
Equity in earnings of unconsolidated joint ventures, net	1,114	613	1,648	583
Income before income tax expense	5,477	3,982	5,756	16,289
Income tax expense	1,525	1,442	1,461	5,710
Net income	3,952	2,540	4,295	10,579
Net loss attributable to non-controlling interest	(69	) (18	) (119	) (77
Net income attributable to common stockholders	\$4,021	\$2,558	\$4,414	\$10,656
Net income per share attributable to common stockholders, basic	\$0.20	\$0.13	\$0.22	\$0.54
Net income per share attributable to common stockholders, diluted	\$0.20	\$0.13	\$0.22	\$0.54

Table of Contents

## TEJON RANCH CO. AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2012	2011	2012	2011
Net income	\$3,952	\$2,540	\$4,295	\$10,579
Other comprehensive income (loss):				
Unrealized gains (losses) on available for sale securities	193	(274	) 344	14
Benefit plan adjustments	—	(112	) —	(486
Equity in other comprehensive income of unconsolidated joint venture	33	39	152	128
Other comprehensive income (loss) before taxes	226	(347	) 496	(344
(Provisions) benefit for income taxes related to other comprehensive income (loss) items	(90	) 109	(198	) 109
Other comprehensive income (loss)	136	(238	) 298	(235
Comprehensive income	4,088	2,302	4,593	10,344
Comprehensive loss attributable to non-controlling interests	(69	) (18	) (119	) (77
Comprehensive income attributable to common stockholders	\$4,157	\$2,320	\$4,712	\$10,421

See accompanying notes.

Table of Contents

TEJON RANCH CO. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(In thousands)

	September 30, 2012 (unaudited)	December 31, 2011
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$7,208	\$18,372
Marketable securities - available-for-sale	67,836	68,566
Accounts receivable	11,223	7,832
Inventories	6,178	3,587
Prepaid expenses and other current assets	4,187	4,317
Deferred tax assets	906	1,099
Total current assets	97,538	103,773
Property and equipment - net of depreciation (includes \$71,258 at September 30, 2012 and \$66,412 at December 31, 2011, attributable to Centennial Founders LLC, Note E)	140,086	128,430
Investments in unconsolidated joint ventures	52,885	53,893
Long-term water assets	28,714	28,336
Long-term deferred tax assets	6,839	6,845
Other assets	1,684	699
<b>TOTAL ASSETS</b>	<b>\$327,746</b>	<b>\$321,976</b>
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities:		
Trade accounts payable	\$4,273	\$2,447
Other accrued liabilities	2,336	3,074
Income taxes payable	1,180	2,484
Deferred income	1,644	2,125
Current portion of long-term debt	39	37
Total current liabilities	9,472	10,167
Long-term debt, less current portion	223	253
Long-term deferred gains	2,248	2,664
Other liabilities	5,812	5,474
Pension liability	2,606	2,979
Total liabilities	20,361	21,537
Commitments and contingencies		
Equity:		
Tejon Ranch Co. Stockholders' Equity		
Common stock, \$.50 par value per share:		
Authorized shares - 30,000,000		
Issued and outstanding shares - 20,082,157 at September 30, 2012 and 19,975,706 at December 31, 2011	10,037	9,988
Additional paid-in capital	196,577	194,273
Accumulated other comprehensive loss	(4,458	) (4,756
Retained earnings	65,523	61,109
Total Tejon Ranch Co. Stockholders' Equity	267,679	260,614
Non-controlling interest	39,706	39,825
Total equity	307,385	300,439

TOTAL LIABILITIES AND EQUITY	\$327,746	\$321,976
See Notes to Unaudited Consolidated Financial Statements		

Table of Contents

TEJON RANCH CO. AND SUBSIDIARIES  
 UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (In thousands)

	Nine Months Ended September 30	
	2012	2011
<b>OPERATING ACTIVITIES</b>		
Net income	\$4,295	\$10,579
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,294	3,066
Equity in earnings	(1,648	) (583
Non-cash retirement plan expense	313	70
Amortization of stock compensation expense	4,184	3,846
Gains on sales of real estate/assets	(606	) —
Gains on sale of easements	—	(15,730
Deferred income taxes	—	(144
Distribution of earnings from unconsolidated joint ventures	7,200	—
Changes in operating assets and liabilities:		
Receivables, inventories and other assets, net	(5,458	) 537
Current liabilities, net	(1,088	) 4,102
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>11,486</b>	<b>5,743</b>
<b>INVESTING ACTIVITIES</b>		
Maturities and sales of marketable securities	14,266	9,768
Funds invested in marketable securities	(13,831	) (28,739
Property and equipment expenditures	(15,777	) (9,509
Proceeds from sale of easements	—	15,750
Investment in unconsolidated joint ventures	(5,404	) (2,282
Distribution of equity from unconsolidated joint ventures	1,012	—
Investment in pistachio processor	—	(485
Other	(776	) (532
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(20,510</b>	<b>) (16,029</b>
<b>FINANCING ACTIVITIES</b>		
Borrowings of short-term debt	1,500	—
Repayments of short-term debt	(1,500	) —
Repayments of long-term debt	(28	) (28
Proceeds from exercise of stock options	158	5,242
Taxes on vested stock grants	(2,270	) (812
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>(2,140</b>	<b>) 4,402</b>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(11,164</b>	<b>) (5,884</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>18,372</b>	<b>22,027</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$7,208</b>	<b>\$16,143</b>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITY</b>		
Accrued capital expenditures included in accounts payable and accrued liabilities	\$31	\$—
Sale of assets accounted as direct finance leases	\$913	\$—

Table of Contents

TEJON RANCH CO. AND SUBSIDIARIES  
 UNAUDITED CONSOLIDATED STATEMENTS OF EQUITY  
 (In thousands, except shares outstanding)

	Common Stock Shares Outstanding	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Tejon Ranch Co.'s Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance at January 1, 2011	19,747,470	\$9,874	\$183,816	\$ (2,191 )	\$45,215	\$236,714	\$39,938	\$276,652
Net income	—	—	—	—	15,894	15,894	(113 )	15,781
Changes in unrealized gains on available-for-sale securities, net of taxes of \$33	—	—	—	(49 )	—	(49 )	—	(49 )
Benefit plan adjustment net of taxes of \$1,026	—	—	—	(1,548 )	—	(1,548 )	—	(1,548 )
SERP liability adjustment, net of taxes of \$727	—	—	—	(1,098 )	—	(1,098 )	—	(1,098 )
Equity in other comprehensive income of unconsolidated joint ventures, net of taxes of \$87	—	—	—	130	—	130	—	130
Exercise of stock options and related tax benefit of \$634	205,165	103	5,773	—	—	5,876	—	5,876
Restricted stock issuance	52,069	26	(26 )	—	—	—	—	—
Stock compensation	—	—	5,507	—	—	5,507	—	5,507
Shares withheld for taxes	(28,998 )	(15 )	(797 )	—	—	(812 )	—	(812 )
Balance at December 31, 2011	19,975,706	9,988	194,273	(4,756 )	61,109	260,614	39,825	300,439
Net income	—	—	—	—	4,414	4,414	(119 )	4,295
Changes in unrealized gains on available-for-sale securities, net of taxes of \$137	—	—	—	207	—	207	—	207
Equity in other comprehensive income of unconsolidated joint ventures, net of taxes of \$61	—	—	—	91	—	91	—	91



Edgar Filing: TEJON RANCH CO - Form 10-Q

Exercise of stock options and related tax benefit of \$8	13,641	7	355	—	—	362	—	362
Receivable of stock option proceeds from employees	—	(4 )	(200 )	—	—	(204 )	—	(204 )
Restricted stock issuance	174,215	87	(87 )	—	—	—	—	—
Stock compensation	—	—	4,465	—	—	4,465	—	4,465
Shares withheld for taxes	(81,405 )	(41 )	(2,229 )	—	—	(2,270 )	—	(2,270 )
Balance at September 30, 2012	20,082,157	\$ 10,037	\$ 196,577	\$ (4,458 )	\$ 65,523	\$ 267,679	\$ 39,706	\$ 307,385

See accompanying notes.

Table of Contents

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2012

NOTE A – BASIS OF PRESENTATION

The summarized information of Tejon Ranch Co. and its subsidiaries, (collectively, the &#82