

TEJON RANCH CO
Form 10-K
March 13, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2016

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

Securities registered pursuant to Section 12(b) of the Act:
Title of Each Class Name of Exchange of Which Registered
Common Stock New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 ((§232.405 of this chapter) during the preceding 12 months (or for shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 aggregate market value of registrant's Common Stock, par value \$.50 per share, held by persons other than those who may be deemed to be affiliates of registrant on June 30, 2016 was \$404,004,456 based on the last reported sale price on the New York Stock Exchange as of the close of business on that date.

The number of the Company's outstanding shares of Common Stock on February 28, 2017 was 20,823,789.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Annual Meeting of Stockholders relating to the directors and executive officers of the Company are incorporated by reference into Part III.

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PART I

Forward-Looking Statements

This annual report on Form 10-K contains forward-looking statements, including statements regarding strategic alliances, the almond, pistachio and grape industries, the future plantings of permanent crops, future yields and prices, water availability for our crops and real estate operations, future prices, production and demand for oil and other minerals, future development of our property, future revenue and income of our jointly-owned travel plaza and other joint venture operations, potential losses to the Company as a result of pending environmental proceedings, the adequacy of future cash flows to fund our operations, market value risks associated with investment and risk management activities and with respect to inventory, accounts receivable and our own outstanding indebtedness and other future events and conditions. In some cases these statements are identifiable through the use of words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “project,” “target,” “can,” “could,” “may,” “will,” “should,” “w” expressions. We caution you not to place undue reliance on these forward-looking statements. These forward-looking statements are not a guarantee of future performances and are subject to assumptions and involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company, or industry results, to differ materially from any future results, performance, or achievement implied by such forward-looking statements. These risks, uncertainties and important factors include, but are not limited to, market and economic forces, availability of financing for land development activities, competition and success in obtaining various governmental approvals and entitlements for land development activities. No assurance can be given that the actual future results will not differ materially from the forward-looking statements that we make for a number of reasons including those described above and in Part I, Item 1A, “Risk Factors” of this report.

As used in this annual report on Form 10-K, references to the “Company,” “Tejon,” “TRC,” “we,” “us,” and “our” refer to Tejon Ranch Co. and its consolidated subsidiaries. The following discussion should be read in conjunction with the consolidated financial statements and the accompanying notes appearing elsewhere in this annual report on Form 10-K.

ITEM 1. BUSINESS

Company Overview

We are a diversified real estate development and agribusiness company committed to responsibly using our land and resources to meet the housing, employment, and lifestyle needs of Californians and create value for our shareholders. Current operations consist of land planning and entitlement, land development, commercial sales and leasing, leasing of land for mineral royalties, water asset management and sales, grazing leases, income portfolio management, farming, and ranch operations.

These activities are performed through our five segments:

Our prime asset is approximately 270,000 acres of contiguous, largely undeveloped land that, at its most southerly border, is 60 miles north of Los Angeles and, at its most northerly border, is 15 miles east of Bakersfield. We create value by securing entitlements for our land, facilitating infrastructure development, strategic land planning, monetization of land through development, and conservation, in order to maximize the highest and best use for our land. We are involved in several joint ventures, which facilitate the development of portions of our land.

Business Objectives and Strategies

Our primary business objective is to maximize long-term shareholder value through the monetization of our land-based assets. A key element of our strategy is to entitle and then develop large-scale residential and master plan real estate communities to serve the growing populations of Southern and Central California. We are currently engaged in commercial sales and leasing at our fully operational commercial/industrial center Tejon Ranch Commerce Center, or TRCC. All of these efforts are supported by diverse revenue streams generated from other operations, including farming, mineral resources and our various joint ventures.

Percentage of Total Revenue and Other Income by Segment:

6

The following table shows the revenues from continuing operations, segment profits and identifiable assets of each of our continuing segments for the last three years:

FINANCIAL INFORMATION ABOUT SEGMENTS

(Amounts in thousands of dollars)

	Year Ended December 31,		
	2016	2015	2014
Revenues and Other Income			
Real estate—commercial/industrial (2)	\$9,438	\$8,272	\$7,845
Mineral Resources	14,153	15,116	16,255
Farming (3)	18,648	23,836	23,435
Ranch operations (2)	3,338	3,923	3,534
Segment revenues	45,577	51,147	51,069
Gain on sale of real estate	1,044	—	—
Investment income	457	528	696
Other income	158	381	526
Revenues and other income	\$47,236	\$52,056	\$52,291
Equity in earnings of unconsolidated joint ventures	7,098	6,324	5,294
Total revenues and other income (1)	\$54,334	\$58,380	\$57,585
Segment Profits (Losses) and Net Income			
Real estate—commercial/industrial (2)	\$2,338	\$1,578	\$639
Real estate—resort/residential (3)	(1,630)	(2,349)	(2,608)
Mineral Resources	6,357	7,720	9,837
Farming (3)	(25)	4,852	7,185
Ranch operations (2)	(2,396)	(2,189)	(2,464)
Segment profits (4)	4,644	9,612	12,589
Gain on sale of real estate	1,044	—	—
Investment income	457	528	696
Other income	158	381	526
Corporate expenses	(12,550)	(12,808)	(10,646)
Operating income before equity in earnings of unconsolidated joint ventures	(6,247)	(2,287)	3,165
Equity in earnings of unconsolidated joint ventures	7,098	6,324	5,294
Income before income taxes	851	4,037	8,459
Income tax provision	336	1,125	2,697
Net income	515	2,912	5,762
Net income/(loss) attributable to noncontrolling interest	(43)	(38)	107