LIMONEIRA®

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ANNUAL REPORT 2019

Senior Management

Senior Management
Left to Right

—

ALEX M. TEAGUE
Senior Vice President and Chief Operating Officer

HAROLD S. EDWARDS
President and Chief Executive Officer

MARK C. PALAMOUNTAIN
Chief Financial Officer

Limoneira's senior management team has an average of 26 years of industry expertise that consists of global management, operations and financial experience with the nation's largest and most respected organizations.

Board of Directors

Board of Directors
Left to Right

EDGAR A. TERRY

SCOTT S. SLATER

GORDON E. KIMBALL
Chairman of the Board

DONALD R. RUDKIN

BETSY B. CHESS

JOHN W. H. MERRIMAN

ROBERT M. SAWYER
Vice-Chairman

HAROLD S. EDWARDS

Management

Management
Left to Right

SUSAN JONES-NG
Director, International Business Development

JOHN CARTER
Vice President, Sales

LEE NESBITT
General Manager, Windfall Farms

RYAN NASALROAD
Manager, Service Operations

ROSIE CASTILLO
Property Manager

STEWART LOCKWOOD
Director for Field Operations

TOMAS GONZALEZ
Director of Global Food Safety & Compliance

KATHLEEN THOMPSON
Director, Human Resources

ERIC TOVIAS
Director, Information Systems

ANTHONY ECUYER
Vice President, Packing Operations

JOHN CHAMBERLAIN
Vice President, Marketing

EDGAR GUITERREZ
Vice President, Farming Operations

GUS GUNDERSON
Director, Southern Operations

GREG HAMM
Vice President, Corporate Controller

AMY FUKUTOMI
Director of Compliance & Special Projects

Not Pictured:
VINCE GIACOLONE
Director, Desert Farming Operations

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Take a Healthy Stand™

The foundation underpinning Limoneira's Take A Healthy Stand™ educational campaign is simple messaging supported by research by the Institute of National Health and other responsible, objective organizations.

REASONS TO A TAKE A HEALTHY STAND

Driven in part by emerging food fortification technologies and discoveries of nutrient benefits, consumers are choosing to make the most of their caloric intake. Hence, the growth of functional foods is set to outpace the growth of conventional foods around the world, across both developed and emerging markets globally.

Three-fourths of U.S. consumers believe healthy foods and beverages can be used to increase the quality of their lives. In addition, more than a quarter of Americans believe functional foods and beverages can be used in place of some medicines. It may not be surprising, then, that a majority of consumers would use foods and beverages to prevent and treat many health conditions, including heart disease, high blood pressure, lack of energy, intestinal irregularity and even cancer.

Lemons are one of the healthiest items in a grocery store. The rind and pith of a lemon has many important benefits.

Three (of the many) benefits that lemons provide include:

Cardiovascular (heart) **Health Benefits**

Potential To Help Prevent Cancer

Anti-Aging and Skin Health

www.limoneira.com

CHAIRMAN'S LETTER TO THE SHAREHOLDERS

It is very rare that the weather negatively affects all three of our principal crops (lemons, oranges, and avocados) in the same year. Unfortunately, that is exactly what happened in fiscal year 2019. Surprisingly, the weather challenges were substantial rains and extreme heat, not a freeze. Despite achieving record revenues of $171.4 million, which was driven by our 2018 acquisition of Oxnard Lemon, we had a net loss of $6.4 million.

The winter of 2018-2019 saw over 25 inches of rainfall on our Ventura County lemon orchards—almost twice the average yearly rainfall. While this rain was very much needed after several years of below average rainfall, the amount and timing of the rains resulted in a cascade of problems for our lemon business. The rainfall delayed harvesting and the lemons grew, and grew more. The industry soon had far more large fruit than customers wanted and not enough of the popular medium sizes. Consequently, the large fruit backed up in the coolers and at the juice plants, and we missed sales because we did not have enough medium sized lemons. As a result, we were only able to sell 58% of the fruit we grew compared to our usual 70-75% sold.

The fall of 2018 was warmer than normal in the California Central Valley and, unlike the lemons, the navel oranges did not grow into the favored larger sizes. The industry had more small oranges than customers wanted and not enough of the larger sizes. This significantly reduced our high value export opportunities, and prices fell for the oversupplied small sizes.

In July 2018, our avocado orchards in Ventura County experienced temperatures over 110 degrees Fahrenheit. In the weeks following the heat, our trees shed most of their fiscal year 2019 avocado crop, which had just set and was beginning to grow when the heat hit. Though fiscal year 2019 avocado prices were strong, we had such a small crop that its revenue, before crop insurance proceeds, did not cover farming costs.

On the bright side, the weather did not significantly affect progress at our master-planned community, *Harvest at Limoneira*. The model homes were built and opened; new homes were built and sold, and families began moving in during August 2019. Fifteen years of investment, planning, and permitting are finally producing real tangible results: homes for families in Santa Paula.

Overall, fiscal year 2019 was disappointing. What should have been a year of solid income growth, driven by nearly doubling of our lemon packing and sales volume, was instead a year of losses. We were humbled. In farming, we will always be subject to the weather. Usually, we enjoy the benefit of the mild Mediterranean weather typical of our growing areas in California, Arizona, Chile, and Argentina. Occasionally, however, the weather presents challenges as it did in fiscal year 2019. Each time, we learn a little more, refine our preparations, and improve our reactions to mitigate the risks and negative effects wherever possible.

As we look to 2020, we plan to manage diligently our investments to generate increasing returns for our stockholders. We will continue to be innovative farmers to ensure that we are leading the way in an ever-evolving industry. As always, we will support and promote our employees so we can achieve greater things together. At Limoneira, we are a rich and diverse company with no asset more valuable than our dedicated people. The passion, dedication, and hard work with which they grow citrus and avocados is inspiring.

I look forward to seeing you at the Annual Meeting.

Sincerely,

Gordon E. Kimball

Gordon E. Kimball
Chairman of the Board

CEO'S LETTER TO THE SHAREHOLDERS

Fiscal year 2019 was challenging for Limoneira and a stark reminder of our intimate relationship with Mother Nature. Historically, Limoneira managed its agricultural risk through crop diversification. Early diversification efforts focused on diversifying *what* we produced—lemons, oranges, specialty citrus, avocados, and row crops. Later efforts focused on *where* we produced—Ventura County, San Joaquin Valley, Yuma, Arizona, Chile, and, most recently, Argentina. Other recent diversification efforts focused on forward integration in our supply chains through controlling the packing, marketing, and selling of our own crops as well as the lemon crops of other affiliated growers. With all this diversification, surely all crops we manage could not go bad at the same time—or could they? In fiscal year 2019, we experienced somewhat of a "*black swan*" year where just about every crop we produced and managed suffered from weather-related challenges. It was a humbling reminder of who is ultimately in charge of our business: Mother Nature.

Mother Nature's first blow came in the form of extreme heat during the summer of 2018, which severely impacted the avocados set on our trees east of Santa Paula. In July 2018, we experienced a week of temperatures above 110 degrees Fahrenheit, which caused approximately 80% of our avocados (about the size of grapes at the time) to fall to the ground and become unmarketable. What began as a solid set of avocados for our fiscal year 2019 season (initially estimated at 10 million pounds) wound up as 1.8 million pounds of marketable fruit—significantly below our production targets. We carry crop insurance on our avocado production; however, the $2.3 million we received from crop insurance for the lost avocados was a small consolation for the negative impact the extreme heat had on our avocados. Mother Nature 1 – Limoneira 0.

Mother Nature's next blow came to our oranges in Porterville, Ducor, and Lindsay in the San Joaquin Valley. Unseasonably warm weather in the late summer and fall of 2018 prevented the orange crop from properly sizing and led to what industry publications coined as "the worst citrus year ever" for the California navel orange industry. Because our oranges (along with the oranges of every other California producer) never properly sized, very little of the crop was able to be exported. The result was a massive oversupply of small, poor quality oranges all competing for a limited domestic market. Limoneira lost money with its orange production in fiscal year 2019, whereas the comparable 2018 results delivered approximately $2 million of operating profit from oranges. Mother Nature 2 – Limoneira 0.

The final blow Mother Nature delivered to us in fiscal year 2019 ironically came from much needed rainfall. The rain events in January through April prevented harvesting our coastal California lemon crop in District 2 in a timely manner. As the storms arrived in Ventura County, we were unable to harvest our orchards (or the orchards of some of our affiliated lemon growers) for nearly eight weeks in a row. By the time we were able to get picking crews into the orchards, the lemons had sized significantly. Normally, there are eight different sizes of fresh lemons that each have a specific market demand associated with them; during this season, there were essentially only three sizes of large yellow lemons. The market for this large fruit is relatively small and we found ourselves in an oversupply situation that negatively impacted the value of our fruit and compromised our ability to sell much of the crop fresh. Ironically, it was the arrival of much needed rainfall to California that caused our fresh utilization levels to fall to 50% during the spring and summer months. This severely impacted our company's revenues and profitability during that time period. While Limoneira achieved record revenues of $171.4 million in fiscal year 2019, we were significantly below our revenue targets for the year as a result of the low fresh utilization rates discussed above. Mother Nature 3 – Limoneira 0. Mother Nature scored a hat trick against Limoneira in fiscal year 2019.

The combination of each of these negative weather events caused Limoneira to lose money in fiscal year 2019—a disappointing result given all of the positive momentum we built with our *One World of Citrus* business model, our acquisitions of Oxnard Lemon, Rosales Packing and the San Pablo Ranch in La Serena, Chile, and our recent acquisition of the Santa Clara Ranch and FGF Trapani in Argentina.

The good news about Limoneira is that we are strong and the fundamentals of our business model and investment thesis remain intact. As challenging as our partnership with Mother Nature can be, we have learned to manage it and benefit from it most of the time. As we view fiscal year 2019 in the rearview mirror and look forward to 2020, we have reason to be optimistic. Our *One World of Citrus* business model is positioned to deliver solid financial results in fiscal year 2020. Our management team is experienced and ready to take advantage of the opportunities before us. Our dedicated workforce is motivated and focused.

Global demand for fresh citrus continues to grow. Our diversification and outlook for fiscal year 2020 has us guiding to record EBITDA. For fiscal year 2020, the Company and its international affiliates are expecting to sell 7.5 to 9.5 million cartons of fresh lemons globally. Included in the global cartons estimate, are 5 to 6 million cartons the Company expects to sell domestically. Limoneira anticipates producing 45% of these lemons and 55% will be produced by our high quality, affiliated outside growers. Our *Lemons for Life*, *Take A Healthy Stand*, and *Nature's Pharmacy* marketing campaigns will help us build customer and consumer demand around the world for Limoneira lemons. Since the average 40-pound carton of Limoneira lemons contains 150 lemons, our plan represents global sales of 1.3 billion lemons in fiscal year 2020. That is a lot of lemons!

We currently believe our orange and specialty citrus crops in Porterville, Ducor, and Lindsay have good size and are enjoying strong export movement. This bodes well for our grower returns and profits from oranges and specialty citrus in fiscal year 2020. We are forecasting a normalized avocado crop this fiscal year, which should deliver a solid operating profit for Limoneira. Lemon packing operations are also poised to deliver solid financial results in fiscal year 2020, and preliminary fresh utilization rates in our lemon business are averaging approximately 75% year-to-date as we transition our California harvests up to the San Joaquin Valley (District 1) and early Ventura County (District 2). This solid crop movement through our packinghouses allows us to take advantage of operating efficiencies, which ultimately optimizes our operating costs and delivers the freshest, highest quality lemons to our customers around the world. Inventory turns are being managed efficiently; currently, our lemons stay with us for about 2.5 weeks before heading out to our customers, whereas we averaged 10.5 weeks of inventory throughout the year 10 years ago.

Our sales team is doing an excellent job winning the hearts and minds of customers globally. We currently sell to approximately 250 customers worldwide with approximately 40% of our customers being outside of North America. Approximately 70% of our customers are food service customers and 30% are retail customers. As Limoneira's global sales grow, our brand awareness continues to grow as well with more of our stickered Limoneira lemons found in grocery stores around the world.

We have been pleased with results from other non-core parts of our business that are unlocking value within Limoneira. In October 2018, Limoneira announced a partnership with Lennar and KB Homes to be the primary builders for the first 180 homes in the initial 632 residential units of our 1,500-home master planned community in Santa Paula. Our partnership with the Lewis Group of Companies to develop *Harvest at Limoneira*, a residential and commercial real estate project in Santa Paula, closed on lot sales with nationally recognized homebuilders for 210 residential units in fiscal year 2019 and 33 additional residential units in fiscal year 2020. These lot sales resulted in equity earnings in fiscal year 2019 and will result in additional equity earnings in fiscal year 2020. We have been pleased with the pace of home sales in the *Harvest at Limoneira* project and are excited to welcome new homeowners to the community of Santa Paula.

Overall, fiscal year 2019 served as a reminder of just how humbling our partnership with Mother Nature can be. Despite these challenges, I am impressed by the resolve of the Limoneira team to learn from the challenges we faced in fiscal year 2019 and apply those lessons in 2020 and beyond. I am proud of the strong response the Limoneira team is demonstrating this year. Nobody likes a losing season. With that said, there were many valuable lessons provided for us in fiscal year 2019 that will make us stronger in the coming years.

I am grateful for your continued support of this great company and look forward to seeing you at our upcoming Annual Meeting in Santa Paula on March 24, 2020.

Sincerely,

Harold S. Edwards
President and Chief Executive Officer

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THE PRODUCE DEPARTMENT IS NATURE'S PHARMACY

Grocery shoppers have more on their plates than ever - They're time-pressed and focused on convenience and health for their families. They're also looking for simple solutions and sustainability providers AND they don't want to give up great taste.

Nature's Pharmacy is Limoneira's new app which cross tabulates 57 health concerns and benefits with 74 fruits and vegetables. All of these items can be found in the produce section of most grocery stores and contain 12 essential vitamins and 11 essential minerals that can help achieve desired goals.

Limoneira works with Grocery Retail Nutritionists (and Nutritionists in Food Service) to get shoppers and guests healthy. More details at **TakeAHealthyStand.com**

Download our app now:

NATURE'S PHARMACY

Download on the App Store

Download from Google Play

Limoneira's core competency is agribusiness and has been for 126 years. Decades come and go and what was fashionable once, may have lost its luster. The demand for healthy, natural, sustainable and good tasting products is more important than ever and Limoneira's delicious citrus is received enthusiastically around the world.

Agribusiness

Global Demand for Fresh Citrus Continues to Grow

The global middle class is increasing and feeding a hungry world with healthy produce will become ever more important. The size of the global middle class will increase from 3.2 billion in 2020 to 4.9 billion by 2030. The bulk of this growth will come from Asia: by 2030 Asia will represent 66% of the global middle-class population and 59% of middle-class consumption, compared to 28% and 23%, respectively in 2009*.

The Asia Pacific region has been and continues to be an important export market for Limoneira citrus. As people enter the middle class, educational opportunities increase as does knowledge of health and healthy food options. More disposable income translates to more away from home meal consumption, and 70% of lemon consumption is generated through the foodservice industry.

**The Organization for Economic Co-operation and Development (OECD) Observer*

Vertically Integrated Player Within a Highly Fragmented Space

Limoneira is a vertically integrated supplier and is scaled and global. The Company sits between highly fragmented growers and diverse end markets. We offer high-quality products and pack them efficiently, thereby increasing operating margins. We source and distribute globally utilizing our One World of Citrus™ business Model. Our Northern and Southern Hemisphere operations provide increased operating leverage and flexibility and enhanced customer service and satisfaction.

In addition to lemons, The Company also grows avocados, oranges, Minneola tangelos, Satsuma mandarins, pummelos, pistachios and wine grapes.

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED OCTOBER 31, 2019

OR

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

Commission file number: 001-34755

LIMONEIRA COMPANY

(Exact name of registrant as specified in its charter)

Delaware	**77-0260692**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1141 Cummings Road, Santa Paula, CA	**93060**
(Address of principal executive offices)	(Zip code)

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

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

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

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

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

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

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

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

Based on the closing price as reported on the NASDAQ Global Market, the aggregate market value of the Registrant's Common Stock held by non-affiliates on April 30, 2019 (the last business day of the Registrant's most recently completed second fiscal quarter) was approximately $347.0 million. Shares of Common Stock held by each executive officer and director and by each stockholder affiliated with a director or an executive officer have been excluded from this calculation because such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes. The number of outstanding shares of the Registrant's Common Stock as of December 31, 2019 was 17,840,055.

Documents Incorporated by Reference

Portions of the Registrant's Proxy Statement for the 2020 Annual Meeting of Stockholders, which we intend to hold on March 24, 2020, are incorporated by reference into Part III of this Annual Report on Form 10-K. The definitive Proxy Statement will be filed within 120 days after October 31, 2019.

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CAUTIONARY STATEMENT

This Annual Report on Form 10-K (this "Annual Report") contains statements which, to the extent that they do not recite historical fact, constitute forward-looking statements. These statements can be identified by the fact that they do not relate strictly to historical or current facts and may include the words "may," "will," "could," "should," "would," "believe," "expect," "anticipate," "estimate," "intend," "plan" or other words or expressions of similar meaning. We have based these forward-looking statements on our current expectations about future events. The forward-looking statements include statements that reflect management's beliefs, plans, objectives, goals, expectations, anticipations and intentions with respect to our financial condition, results of operations, future performance and business, including statements relating to our business strategy and our current and future development plans.

The potential risks and uncertainties that could cause our actual financial condition, results of operations and future performance to differ materially from those expressed or implied in this Annual Report include:

- changes in laws, regulations, rules, quotas, tariffs and import laws;
- adverse weather conditions, natural disasters and other adverse natural conditions, including freezes, rains, fires and droughts, that affect the production, transportation, storage, import and export of fresh produce;
- market responses to industry volume pressures;
- increased pressure from disease, insects and other pests;
- disruption of water supplies or changes in water allocations;
- product and raw materials supplies and pricing;
- energy supply and pricing;
- changes in interest and currency exchange rates;
- availability of financing for development activities;
- general economic conditions for residential and commercial real estate development;
- political changes and economic crises;
- international conflict;
- acts of terrorism;
- labor disruptions, strikes, shortages or work stoppages;
- loss of important intellectual property rights; and
- other factors disclosed in this Annual Report.

In addition, this Annual Report contains industry data related to our business and the markets in which we operate. This data includes projections that are based on a number of assumptions. If these assumptions turn out to be incorrect, actual results could differ from the projections. We urge you to carefully review this Annual Report, particularly the section entitled "Risk Factors," for a complete discussion of the risks of an investment in our common stock.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Many factors discussed in this Annual Report, some of which are beyond our control, will be important in determining our future performance. Consequently, actual results may differ materially from those that might be anticipated from forward-looking statements. In light of these and other uncertainties, you should not regard the inclusion of a forward-looking statement in this Annual Report as a representation by us that our plans and objectives will be achieved, and you should not place undue reliance on such forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

All references to "we," "us," "our," "our Company," "the Company," or "Limoneira" in this Annual Report mean Limoneira Company, a Delaware corporation, and its consolidated subsidiaries.

PART I

Item 1. Business

Limoneira Company was incorporated in Delaware in 1990 as the successor to several businesses with operations in California since 1893. Our business and operations are described below. For detailed financial information with respect to our business and our operations, see our consolidated financial statements and the related notes to consolidated financial statements, which are included in Item 8 in this Annual Report. In addition, general information concerning our Company can be found on our website, the internet address of which is www.limoneira.com. All of our filings with the Securities and Exchange Commission (the "SEC"), including but not limited to, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments thereto, are available free of charge on our website as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC.

Overview

We are an agribusiness and real estate development company founded and based in Santa Paula, California, committed to responsibly using and managing our approximately 15,700 acres of land, water resources and other assets to maximize long-term stockholder value. Our current operations consist of fruit production, sales and marketing, rental operations, real estate development and capital investment activities.

We are one of California's oldest citrus growers. According to Sunkist Growers, Inc. ("Sunkist"), we are one of the largest growers of lemons in the United States and, according to the California Avocado Commission, one of the largest growers of avocados in the United States. In addition to growing lemons and avocados, we grow oranges and a variety of specialty citrus and other crops. We have agricultural plantings throughout Ventura, Tulare, San Luis Obispo and San Bernardino Counties in California, Yuma County in Arizona, La Serena, Chile and Jujuy, Argentina, which collectively consist of approximately 6,200 acres of lemons, 900 acres of avocados, 1,600 acres of oranges and 1,000 acres of specialty citrus and other crops. We also operate our own packinghouses in Santa Paula and Oxnard, California and Yuma, Arizona, where we process, pack and sell lemons that we grow, as well as lemons grown by others. We have a 47% interest in Rosales S.A. ("Rosales"), a citrus packing, marketing and sales business, a 90% interest in Fruticola Pan de Azucar S.A. ("PDA"), a lemon and orange orchard and 100% interest in Agricola San Pablo SpA. ("San Pablo"), a lemon and orange orchard, all of which are located near La Serena, Chile. We have a 51% interest in a joint venture, Trapani Fresh Consorcio de Cooperacion ("Trapani Fresh"), a lemon growing, packing, marketing and selling business in Argentina.

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

For more than 100 years, we have been making strategic investments in California agriculture and real estate development. We currently have three real estate development projects in California. These projects include multi-family housing and single-family homes comprising approximately 260 completed rental units and another approximately 1,500 units in various stages of planning and development.

Fiscal Year 2019 Highlights and Recent Developments

On November 10, 2015, we entered into a joint venture with The Lewis Group of Companies ("Lewis") for the residential development of our East Area I real estate development project. To consummate the transaction, we formed Limoneira Lewis Community Builders, LLC (the "LLCB" or "Joint Venture"). The first phase of the project broke ground to commence mass grading on November 8, 2017. Project plans include approximately 632 residential units in Phase 1. The Joint Venture received lot deposits from national homebuilders in fiscal year 2018 and initial lot sales representing a total of 210 residential units closed in fiscal year 2019. The Joint Venture closed on an additional 33 lots in the first quarter of fiscal year 2020.

Late in the third quarter of fiscal year 2018, Ventura County experienced record high temperatures. The effect of these high temperatures resulted in lower avocado crop volume in fiscal year 2019 compared to fiscal year 2018. Offsetting this temporary event is the benefit of crop insurance for approximately $2.3 million calculated on actual avocado harvest in fiscal year 2019.

On May 30, 2019, we acquired a 51% interest in a joint venture, Trapani Fresh, formed with FGF Trapani (“FGF”), a multi-generational, family owned citrus operation in Argentina. To consummate the transaction, we formed a subsidiary under the name Limoneira Argentina S.A.U. (“Limoneira Argentina”) as the managing partner and acquired a 51% interest in an Argentine Trust that holds a 75% interest in Finca Santa Clara (“Santa Clara”), a ranch with approximately 1,200 acres of planted lemons. Trapani Fresh controls the trust and grows, packs, markets and sells fresh citrus.

Total consideration paid for our interest in Trapani Fresh was $15.0 million of which $7.5 million was paid to FGF on May 30, 2019. The remaining $7.5 million was advanced to FGF, $4.0 million in February 2019 and $3.5 million in May 2019, as prepayments for the 25% interest in Santa Clara retained by FGF. We have consolidated Trapani Fresh and have accounted for the acquisition of Trapani Fresh as a business combination, resulting in FGF’s 49% interest in Trapani Fresh being accounted for as a noncontrolling interest.

In fiscal year 2019, we sold a total of 50,000 shares of Calavo common stock at an average price of $95.71 per share. Net proceeds from the sale were $4.8 million and we recognized a loss of $63 thousand. We continue to own 200,000 shares of Calavo common stock. With the adoption of Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2016-01 on November 1, 2018, changes in the fair value of the equity securities result in gains or losses recognized in net income. The Company recorded unrealized losses of $2.1 million during fiscal year 2019, which is included in other (expense) income in the consolidated statements of operations. The Company purchased this investment for $10.00 per share in fiscal 2005.

In September 2019, we sold the multi-use Mercantile property consisting of a retail convenience store, gas station, car wash and quick serve restaurant located in Santa Paula, California. We received net proceeds of $4.0 million and recognized a gain of approximately $0.6 million.

In October 2019, we sold The Terraces at Pacific Crest ("Pacific Crest") for approximately $3.0 million. We received net proceeds of $2.9 million and recognized a gain of approximately $0.4 million.

On December 17, 2019, we declared a cash dividend of $0.075 per common share payable on January 15, 2020, in the aggregate amount of $1.3 million to stockholders of record as of December 30, 2019.

Business Division Summary

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

Agribusiness Division

The agribusiness division is comprised of four of our reportable operating segments: fresh lemons, lemon packing, avocados and other agribusiness, which represented 97%, 96% and 96% of our fiscal year 2019, 2018 and 2017 consolidated revenues, respectively, of which fresh lemons and lemon packing combined represented 87%, 80% and 78% of our fiscal year 2019, 2018 and 2017 consolidated revenues, respectively.

Farming

We are one of California’s oldest citrus growers and one of the largest growers of lemons and avocados in the United States. In addition to growing lemons and avocados, we grow oranges and a variety of specialty citrus and other crops. We have agricultural plantings throughout Ventura, Tulare, San Bernardino and San Luis Obispo Counties in California, Yuma County in Arizona, La Serena, Chile and Jujuy, Argentina, which collectively consist of approximately 6,200 acres of lemons, 900 acres of avocados, 1,600 acres of oranges and 1,000 acres of specialty citrus and other crops. With the acquisition of PDA and San Pablo in Chile and Trapani Fresh in Argentina, we have approximately 500 acres of lemons and oranges plantings in Chile and approximately 1,200 acres of lemon plantings in Argentina. We also operate our own packinghouses in Santa Paula and Oxnard, California and Yuma, Arizona, where we process, pack and sell lemons we grow as well as lemons grown by others. In addition, we operate packinghouses in Argentina.

Lemons. Our lemon farming is included in our "fresh lemons" and "lemon packing" reportable operating segments within our financial statements. We market and sell lemons directly to our food service, wholesale and retail customers throughout the United States, Canada, Asia, Australia and certain other international markets. We are one of the largest lemon growers in the United States with approximately 6,200 acres of lemons planted primarily in Ventura, Tulare and San Bernardino Counties in California and in Yuma County, Arizona. In California, the lemon growing area stretches from the Coachella Valley to Fresno and Monterey Counties, with the majority of the growing areas being located in the coastal areas from Ventura County to Monterey County. Ventura County is California's top lemon producing county. Approximately 29% of our lemons are grown in Ventura County, 20% are grown in Tulare County, 20% are grown in Yuma County, Arizona and 8% are grown in San Bernardino County, California. We also grow approximately 4% of our lemons near La Serena, Chile and 19% of our lemons in Argentina.

There are over fifty varieties of lemons, with the Lisbon, Eureka and Genoa being the predominant varieties marketed on a worldwide basis. Approximately 87% of our lemon plantings are of the Lisbon, Eureka and Genoa varieties and approximately 13% are of other varieties such as sweet Meyer lemons, Proprietary Seedless lemons and Pink Variegated lemons. California-grown lemons are available throughout the year, with peak production periods occurring from January through August. The storage life of fresh lemons generally ranges from one to eighteen weeks, depending upon the maturity of the fruit, the growing methods used and the handling conditions in the distribution chain.

With an average annual production of approximately 800,000 tons of lemons in the United States, California accounts for approximately 93% of the lemon crop, with Arizona producing the majority of the rest. Approximately 71% of the United States lemon crop is utilized in the fresh market, with the remainder going to the processed market for products such as juice, oils and essences. Most lemons are consumed as either a cooking ingredient, a garnish, or as juice in lemonade or carbonated beverages or other drinks. Demand for lemons is typically highest in the summer, although California producers through various geographical zones are typically able to harvest lemons year-round.

Avocados. Our avocado farming is included in our "avocados" reportable segment within our financial statements. We are one of the largest avocado growers in the United States with approximately 900 acres of avocados planted throughout Ventura County. In California, the avocado growing area stretches from San Diego County to Monterey County, with the majority of the growing areas located approximately 100 miles north and south of Los Angeles County.

Over the last 75 years, the avocado has transitioned from a single specialty fruit to an array of over 100 varieties ranging from the green-skinned Zutanos to the black-skinned Hass, which is the predominant avocado variety marketed on a worldwide basis. California-grown avocados are available year-round, with peak production periods occurring between February and September. Other avocado varieties have a more limited picking season and typically command a lower price. Because of superior eating quality, the Hass avocado has contributed greatly to the avocado's growing popularity through its retail, restaurant and other food service uses. Approximately 93% of our avocado plantings are of the Hass variety. The storage life of fresh avocados generally ranges from one to four weeks, depending upon the maturity of the fruit, the growing methods used and the handling conditions in the distribution chain.

We provide all of our avocado production to Calavo, a packing and marketing company listed on the NASDAQ Global Select Market under the symbol CVGW. Calavo's customers include many of the largest retail and food service companies in the United States and Canada. Our marketing relationship with Calavo dates back to 2003. Calavo receives fruit from our orchards at its packinghouse located in Santa Paula, California. Calavo's proximity to our agricultural operations enables us to keep transportation and handling costs to a minimum. Our avocados are packed by Calavo and sold and distributed under its own brands to its customers primarily in the United States and Canada.

Primarily due to differing soil conditions, the care of avocado trees is intensive and during our 75-year history of growing avocados, growing techniques have changed dramatically. The need for more production per acre to compete with foreign sources of supply has required us to take an important lead in the practice of dense planting (typically four times the number of avocado trees per acre versus traditional avocado plantings) and mulching composition to help trees acclimate under conditions that more closely resemble those found in the tropics, a better climate for avocado growth.

Oranges. Our orange farming is included in our "other agribusiness" reportable segment within our financial statements. While we are primarily known for our high-quality lemons, we also grow oranges. We have approximately 1,600 acres of oranges planted primarily in Tulare County, California. In California, the growing area for oranges stretches from Imperial County to Yolo County. For many decades, the Valencia variety of oranges was grown in Ventura County primarily for export to the Pacific Rim. Throughout the late twentieth century, developing countries began producing the larger, seedless Navel variety of oranges that successfully competed against the smaller Valencia variety. California-grown Navel oranges are available from October to June, with peak production periods occurring between January and April. California-grown Valencia oranges are available from March to

October, with peak production periods occurring between June and September. Approximately 93% of our orange plantings are of the Navel variety and approximately 7% are of the Valencia variety.

Navel oranges comprise most of California's orange crop, accounting for approximately 80% over the past three growing seasons. Valencia oranges account for a vast majority of the remainder of California's orange crop. While California produces approximately 40% of the nation's oranges, its crop accounts for approximately 90% of those going to the fresh market. The share of California's crop going to fresh market, as opposed to the processed market (i.e., juices, oils and essences) varies by season, depending on the quality of the crop. We estimate approximately 70% of our oranges are sold to retail customers and approximately 30% are sold to wholesale customers.

Specialty Citrus and Other Crops. Our specialty citrus and other crop farming is included in our "other agribusiness" reportable segment within our financial statements. A few decades ago, we began growing specialty citrus varieties and other crops that we believed would appeal to changing North American and worldwide demand. As a result, we currently have approximately 1,000 acres of specialty citrus and other crops planted such as Moro blood oranges, Cara Cara oranges, Minneola tangelos, Star Ruby grapefruit, pummelos, pistachios and wine grapes.

Acreage devoted to specialty citrus and other crops in California has been growing significantly over the past few decades, especially with the popularity of the Clementine, a type of mandarin orange. Similar to our oranges, we utilize third-party packinghouses to process and pack our specialty citrus. A portion of our specialty citrus is marketed and sold under the Sunkist brand by Sunkist and orders are processed by Sunkist-member packinghouses. As an agricultural cooperative, Sunkist coordinates the sales and marketing of the specialty citrus and orders are processed by Sunkist-member packinghouses for direct shipment to customers.

We currently market our other crops, such as pistachios and wine grapes, utilizing processors which are not members of agricultural cooperatives. Our pistachios are harvested and sold to a roaster, packager and marketer of nuts, and our wine grapes are sold to various wine producers.

Plantings

We have agricultural plantings on properties located in Ventura, Tulare, San Luis Obispo and San Bernardino Counties in California, Yuma County in Arizona, La Serena, Chile and Jujuy, Argentina. The following is a description of our agriculture properties:

Ranch Name	County / State or Country	Total Acres	Lemons	Avocados	Oranges	Specialty Crops	Other
Limoneira/Olivelands	Ventura, CA	1,700	700	500	—	—	500
Orchard Farm	Ventura, CA	1,100	500	—	—	—	600
Teague McKevett	Ventura, CA	500	—	100	—	—	400
La Campana	Ventura, CA	300	100	200	—	—	—
Rancho La Cuesta	Ventura, CA	200	100	—	—	—	100
Limco Del Mar	Ventura, CA	200	100	100	—	—	—
Porterville Ranches	Tulare, CA	1,200	400	—	400	200	200
Ducor Ranches	Tulare, CA	1,000	300	—	400	300	—
Sheldon Ranches	Tulare, CA	1,000	200	—	600	100	100
Lemons 400	Tulare, CA	800	400	—	—	—	400
Windfall Farms	San Luis Obispo, CA	700	—	—	—	300	400
Cadiz	San Bernardino, CA	800	600	—	—	—	200
Associated Citrus Packers	Yuma, AZ	1,300	1,200	—	—	—	100
Pan de Azucar & San Pablo	La Serena, Chile	3,500	300	—	200	—	3,000
Santa Clara	Jujuy, Argentina	1,200	1,200	—	—	—	—
Other agribusiness land	Various Counties, CA	200	100	—	—	100	—
Total		15,700	6,200	900	1,600	1,000	6,000
Percentage of Total		100%	39%	6%	10%	6%	39%

The *Limoneira/Olivelands Ranch* is the original site of our Company. Our headquarters, lemon packing operations and storage facilities are located on this property.

The *Teague McKevett Ranch* is the site of our real estate development project known as East Area I and described below under the "Real Estate Development Division" heading.

Windfall Farms is an approximately 700-acre former thoroughbred breeding farm and equestrian facility located in Creston, California, near Paso Robles, California. During fiscal years 2014 and 2015, we planted approximately 200 acres of vineyards and an additional 100 acres in 2017. Vineyards are generally productive after four years. During the fourth quarter of 2019, the vineyards produced their fourth harvest from the 2014 planting and their third harvest from the 2015 planting, generating approximately 1,300 tons of grapes and $1.3 million of revenue in 2019. We expect to sell vineyard production by the ton to various wineries with current per ton prices of approximately $1,100 depending on the grape variety and other factors.

Limco Del Mar is owned by a limited partnership of which we are the general partner and own an interest of 28.1%, which is comprised of a 1.3% general partner interest and a 26.8% limited partner interest.

We manage the *Cadiz Ranches* under operating lease arrangements. We purchased substantially all of the *Sheldon Ranches* property in two separate transactions, which closed in September and December 2015. We previously managed the *Sheldon Ranches* under operating lease arrangements.

The other agribusiness land in the table above includes corporate and lemon packing facilities, land leased to other agricultural businesses, rental units, roads, creeks, hillsides and other open land.

Our orchards can maintain production for many years. For financial reporting purposes, we depreciate our orchards from 20 to 40 years depending on the fruit variety with the majority of our orchards depreciated over 20 to 30 years. We regularly evaluate our orchards' production and growing costs and based on these and other factors we may decide to redevelop certain orchards. In addition, we may acquire agricultural property with existing productive orchards or without productive orchards, which would require new orchard plantings. The fruit varieties that we grow are typically non-producing for approximately the first four years after planting. Currently, we have approximately 1,200 acres of lemons, 200 acres of oranges and 200 acres of specialty citrus and other crops that are under development. Orchards may continue producing fruit longer than their depreciable lives. The following table presents the number of acres planted by fruit variety and approximate age of our orchards:

County, State, Fruit Variety	Age of Orchards 0-4 Years	5-25 Years	Over 25 Years	Total
Ventura, CA				
Lemons	200	700	800	1,700
Avocados	—	500	400	900
Total Ventura, CA	200	1,200	1,200	2,600
Tulare, CA				
Lemons	300	400	500	1,200
Oranges	200	500	700	1,400
Specialty citrus and other	—	600	100	700
Total Tulare, CA	500	1,500	1,300	3,300
San Bernardino, CA - Lemons	300	300	—	600
San Luis Obispo, CA - Wine Grapes	200	100	—	300
Yuma, AZ - Lemons	400	800	—	1,200
La Serena, Chile				
Lemons	—	300	—	300
Oranges	—	200	—	200
Total La Serena, Chile	—	500	—	500
Jujuy, Argentina - Lemons	—	1,200	—	1,200
Total	1,600	5,600	2,500	9,700
Percentage of Total	16%	58%	26%	100%
Summary by Crop				
Lemons	1,200	3,700	1,300	6,200
Avocados	—	500	400	900
Oranges	200	700	700	1,600
Specialty citrus and other	200	700	100	1,000
Total	1,600	5,600	2,500	9,700

Lemon Packing and Sales

We are the oldest continuous lemon packing operation in North America. We pack and sell lemons grown by us as well as lemons grown by others, the operations of which are included in our financial statements under the lemon packing segment. Lemons delivered to our packinghouses in Santa Paula and Oxnard, California and Yuma, Arizona are sized, graded, cooled, ripened and packed for delivery to customers. Our ability to accurately estimate the size, grade and timing of the delivery of the annual lemon crop has a substantial impact on both our costs and the sales price we receive for the fruit.

A significant portion of the costs related to our lemon packing operation is fixed. Our strategy for growing the profitability of our lemon packing operations calls for optimizing the percentage of a crop that goes to the fresh market, or fresh utilization, and procuring a larger percentage of the California and Arizona lemon crop.

We invest considerable time and research into refining and improving our lemon packing through innovation and are continuously in search of new techniques to refine how premium lemons are delivered to our consumers. In the second quarter of fiscal year 2016, our new lemon packing facility became operational, which has doubled our lemon packing capacity and has increased the efficiency and financial results of these operations.

Rental Operations Division

Our rental operations division is provided for in our financial statements as its own reportable segment and includes our residential and commercial rentals, leased land operations and organic recycling. The rental operations division represented approximately 3%, 4% and 4% of our fiscal year 2019, 2018 and 2017 consolidated revenues, respectively.

Residential

We own and maintain approximately 260 residential housing units located in Ventura and Tulare Counties in California that we lease to employees, former employees and non-employees. In fiscal year 2015, we added 65 new agriculture workforce housing units in Santa Paula, California and are planning to add an additional 6 units in 2020. These properties generate reliable cash flows which we use to partially fund the operating costs of our business and provide affordable housing for many of our employees and the community.

Commercial

We own several commercial office buildings and as with our residential housing units, these properties generate reliable cash flows which we use to partially fund the operating costs of our business.

Leased Land

As of October 31, 2019, we lease approximately 500 acres of our land to third-party agricultural tenants who grow a variety of row crops such as strawberries, peppers, celery and cabbage. Our leased land business provides us with a profitable method to diversify the use of our land.

Organic Recycling

With the help of one of our tenants, Agromin, Inc. ("Agromin"), a processor of premium soil products and a green waste recycler located in Oxnard, California, we have implemented an organic recycling program. Agromin provides green waste recycling for cities in Santa Barbara, Los Angeles and Ventura Counties. We worked with Agromin to develop an organic recycling facility on our land in Ventura County, to receive green materials (lawn clipping, leaves, bark and other plant materials) and convert such material into mulch that we spread throughout our agricultural properties to help curb erosion, improve water efficiency, reduce weeds and moderate soil temperatures. We receive a percentage of the gate fees Agromin collects from regional waste haulers and enjoy the benefits of the organic material.

Real Estate Development Division

Our real estate development division is provided for in our financial statements as its own reportable segment and includes our real estate development operations. The real estate development division had no revenues in fiscal years 2019, 2018 or 2017.

For more than 100 years, we have been making strategic real estate investments in California agricultural and developable real estate. Our current real estate developments include developable land parcels, multi-family housing and single-family homes with approximately 1,500 units in various stages of planning and development. The following is a summary of each of the strategic agricultural and development real estate investment properties in which we own an interest:

East Area I - Santa Paula, California. East Area I consists of 523 acres that we have used as agricultural land and is located in Santa Paula approximately ten miles from the City of Ventura and the Pacific Ocean. This property is also known as our Teague McKevett Ranch. We believe East Area I is an ideal location for a master planned community of commercial and residential properties designed to satisfy expected demand in a region that we believe will have few other developments in this coming decade. In 2008, after we completed a process of community planning and environmental review, the citizens of Santa Paula voted to approve the annexation of East Area I into Santa Paula. This vote was a requirement of the Save Open-Space and Agricultural Resources ("SOAR"), ordinance that mandates a public vote of the City of Santa Paula for land use conversion.

On November 10, 2015, we entered into the Joint Venture with Lewis for the residential development of our East Area I real estate development project. To consummate the transaction, we formed LLCB as the development entity, contributed our East Area I property to the Joint Venture and sold a 50% interest in the Joint Venture to Lewis for $20.0 million. We expect to receive approximately $100.0 million from the Joint Venture over the estimated 6 to 9-year life of the project including $20.0 million received on the consummation of the Joint Venture. The Joint Venture partners will share in capital contributions to fund project costs until loan proceeds and/or revenues are sufficient to fund the project. These funding requirements are currently estimated to total $15.0 million to $20.0 million for each Joint Venture partner in the first three to four years of the project and we funded $4.0 million, $3.5 million and $7.5 million in fiscal years 2019, 2018 and 2017, respectively. We also entered into a lease agreement with the Joint Venture to lease back a portion of the contributed property, which allowed us to continue farming the property during the phased build-out of the project. We terminated this lease in December 2018. The first phase of the project broke ground to commence mass grading on November 8, 2017. Project plans include approximately 632 residential units in Phase 1 and site improvements have been substantially completed. The Joint Venture received lot deposits from national homebuilders in fiscal year 2018 and initial lot sales representing a total of 210 residential units closed in fiscal year 2019. The Joint Venture closed on an additional 33 units in the first quarter of fiscal year 2020.

East Area II - Santa Paula, California. We and our design associates are in the process of formulating plans for East Area II, a parcel of approximately 30 acres adjacent to East Area I, also a part of our Teague McKevett Ranch, that we believe is suited to commercial and/or industrial development along the south side of California Highway 126, a heavily traveled corridor that connects Highway 101 at Ventura on the west with Interstate 5 at Santa Clarita on the east. When completed, we expect that the development will contribute to the economic vitality of the region and allow residents to work and shop within close proximity to their homes.

The successful development of East Area II will be partly dependent on the success of East Area I described above. We expect that East Area II could accommodate large retailers, a medium or large employer, a complex of mixed business and retail, or some combination of the foregoing. We are actively cultivating prospects to become future tenants in East Area II and expect that development will closely follow the build-out of East Area I.

Santa Maria - Santa Barbara County, California. As of October 31, 2019, we were invested in one entitled development parcel, Sevilla, in Santa Barbara County, California, a county that, in our experience, entitles very few parcels. Located in Santa Maria, the parcel offers a residential and/or commercial development opportunity. Sevilla is approved for 69 single-family homes adjacent to shopping, transportation, schools, parks and medical facilities, with a parcel of approximately 3 acres zoned for commercial use. We sold the commercial portion of our Sevilla property in November 2017. The Company is actively marketing this property.

Competitive Strengths

Agribusiness Division

With agricultural operations dating back to 1893, we are one of California's oldest citrus growers and one of the largest growers of lemons and avocados in the United States. Consequently, we have developed significant experience with a variety of crops, mainly lemons, avocados and oranges. The following is a brief list of what we believe are our significant competitive strengths with respect to our agribusiness division, which includes our fresh lemons, lemon packing, avocados and other agribusiness segments unless otherwise noted:

- Our agricultural properties in Ventura County are located near the Pacific Ocean, which provides an ideal environment for growing lemons, avocados and row crops. Our agricultural properties in Tulare County, which is in the San Joaquin Valley in Central California, and in Yuma, Arizona, are also located in areas that are well-suited for growing citrus crops.
- Historically, a higher percentage of our crops go to the fresh market, which is commonly referred to as fresh utilization, than that of other growers and packers with which we compete.
- We have contiguous and nearby land resources that permit us to efficiently use our agricultural land and resources.
- In all but one of our properties, we are not dependent on State or Federal water projects to support our agribusiness or real estate development operations.
- We own approximately 94% of our agricultural land and take a long view on our fruit production practices.
- A significant amount of our agribusiness property was acquired many years ago, which results in a low-cost basis and associated expenses.
- We have a well-trained and retentive labor force with many employees remaining with us for more than 30 years.
- In our fresh lemons and lemon packing segments, our integrated business model with respect to growing, packing, marketing and selling lemons allows us to better serve our customers.
- Our lemon packing operations provide marketing opportunities with other citrus companies and their respective products.
- Since 2010, we have achieved and maintained GLOBALGAP Certification by successfully demonstrating our adherence to specific GLOBALGAP standards. GLOBALGAP is an internationally recognized set of farm standards dedicated to "Good Agricultural Practices" or GAP. We believe that GLOBALGAP Certification differentiates us from our competitors and serves as reassurance to consumers and retailers that food reaches acceptable levels of safety and

quality, and has been produced sustainably, respecting the health, safety and welfare of workers and the environment, and in consideration of animal welfare issues.

- We have made investments in ground-based solar projects that provide us with tangible and intangible non-revenue generating benefits. The electricity generated by these investments provides us with a significant portion of the electricity required to operate our packinghouse and cold storage facilities located in Santa Paula, California and provides a significant portion of the electricity required to operate four deep-water well pumps at one of our ranches in Tulare County, California. Additionally, these investments support our sustainable agricultural practices, reduce our dependence on fossil-based electricity generation and lower our carbon footprint. Moreover, electricity that we generate and do not use is conveyed seamlessly back to the investor-owned utilities operating in these two markets. Finally, over time, we expect that our customers and the end consumers of our fruit will value the investments that we have made in renewable energy as a part of our farming and packing operations, which we believe may help us differentiate our products from similar commodities.
- We have made various other investments in water rights and mutual water companies. We own shares in the following mutual water companies: Farmers Irrigation Co., Canyon Irrigation Co., San Cayetano Mutual Water Co., Middle Road Mutual Water Co. and Pioneer Water Company, Inc. In 2007, we acquired additional water rights in the adjudicated Santa Paula Basin (aquifer) and in September 2013 we acquired water rights in the YMIDD with our acquisition of Associated Citrus Packers, Inc. ("Associated"). In February 2017, we acquired water rights with our purchase of 90% of PDA and in July 2018, we acquired additional water rights in Chile with our acquisition of San Pablo.

Rental Operations Division

With respect to our rental operations division, we believe our competitive advantages are as follows:

- Our housing and land rentals provide a consistent, dependable source of cash flow that helps to counter the volatility typically associated with an agricultural business.
- Our housing rental business allows us to offer a unique benefit to our employees, which in turn helps to provide us with a dependable, long-term employee base.
- Our leased land business allows us to partner with other agricultural producers that can serve as a profitable alternative to under-producing tree crop acreage.
- Our organic recycling tenant provides us with a low cost, environmentally friendly solution to weed and erosion control.

Real Estate Development Division

With respect to our real estate development division, we believe our competitive advantages are as follows:

- Our real estate development activities are primarily focused in coastal areas north of Los Angeles and south of Santa Maria, which we believe have desirable climates for lifestyle families, retirees and athletic and sports enthusiasts.
- We have entitlements to build approximately 1,500 residential units in our East Area I (Harvest at Limoneira) development.
- We have partnered with an experienced and financially strong land developer for our East Area I residential master plan development.
- Several of our agricultural and real estate investment properties are unique and carry longer-term development potential.
- Our East Area II property has approximately 30 acres of land commercially zoned, which is adjacent to our East Area I property.

Business Strategy

While each of our business divisions has a separate business strategy, we are an agribusiness and real estate development company that generates annual cash flows to support investments in agricultural and real estate development activities. As our agricultural and real estate development investments are monetized, we intend to seek to expand our agribusiness into new regions and markets and invest in cash-producing residential, commercial and industrial rental assets.

The following describes the key elements of our business strategy for each of our agribusiness, rental operations and real estate development business divisions.

Agribusiness Division

With respect to our agribusiness division, key elements of our strategy are:

- *Acquire Additional Lemon Producing Properties*. To the extent attractive opportunities arise and our capital availability permits, we intend to consider the acquisition of additional lemon producing properties. In order to be considered, such properties would need to have certain characteristics to provide acceptable returns, such as an adequate source of water, a warm micro-climate and well-drained soils. We anticipate that the most attractive opportunities to acquire lemon producing properties will be in South America and in the San Joaquin Valley near our existing operations in Tulare County, California.

- *Expand our Sources of Lemon Supply.* Peak lemon production occurs at different times of the year depending on geographic region. In addition to our lemon production in California and Arizona and lemons we acquire from third-party growers, we have expanded our lemon supply sources to international markets such as Mexico, Chile and Argentina. Increases in lemons procured from third-party growers and international sources improve our ability to provide our customers with fresh lemons throughout the year.

- *Increase the Volume of our Lemon Packing Operations*. We regularly monitor our costs for redundancies and opportunities for cost reductions. In this regard, cost per carton is a function of throughput. We continually seek to acquire additional lemons from third-party growers to pack through our plants. Third-party growers are only added if we determine their fruit is of good quality and can be cost effective for both us and the grower. Of most importance is the overall fresh utilization rate for our fruit, which is directly related to quality.

- *Expand International Production and Marketing of Lemons*. We estimate that we currently have approximately 10% of the fresh lemon market in the United States and a larger share of the United States lemon export market. We intend to explore opportunities to expand our international production and marketing of lemons. We have the ability to supply a wide range of customers and markets and, because we produce high quality lemons, we can export our lemons to international customers, which many of our competitors are unable to supply.

- *Construction of a New Lemon Packinghouse*. Over the years, new machinery and equipment along with upgrades have been added to our original packinghouse and cold storage facilities. This, along with an aggressive and proactive maintenance program, has allowed us to operate an efficient, competitive lemon packing facility. A project to double the capacity and increase the efficiency of our lemon packing facilities became operational in fiscal year 2016. We expect that this project will ultimately increase fresh lemon processing capacity and lower packing costs by reducing labor and handling inputs.

- *Opportunistically Expand our Plantings of Oranges, Specialty Citrus and Other Crops*. Our plantings of oranges, specialty citrus and other crops have been profitable and have been pursued to diversify our product line. Agricultural land that we believe is not suitable for lemons is typically planted with oranges, specialty citrus or other crops. While we intend to expand our orange, specialty citrus and other crops, we expect to do so on an opportunistic basis in locations that we believe offer a record of historical profitability.

- *Opportunistically Expand our Plantings of Avocados*. We may opportunistically expand our plantings of avocados primarily because our profitability and cash flow realized from our avocados help to diversify our fruit production base.

- *Maintain and Grow our Relationship with Calavo*. Our alignment with and ownership stake in Calavo comprises our current marketing strategy for avocados. Calavo has expanded its sourcing into other regions of the world, including Mexico, Chile and Peru, which allows it to supply avocados to its retail and food service customers on a year-round basis. California avocados occupy a unique market window in the year-round supply chain and Calavo has experienced a general expansion of volume as consumption has grown. Thus, we intend to continue to have a strong and viable market for our California avocados as well as an equity participation in Calavo's overall expansion and profitability.

- *Diversify our Agribusiness Portfolio with the Development of a Vineyard at Windfall Farms.* Our Windfall Farms property has approximately 500 acres suitable for vineyard development. During fiscal years 2014 and 2015, we planted approximately 200 acres of vineyards and an additional 100 acres in fiscal year 2017. We intend to continue to plant vineyards at the property up to the 500 suitable acres. We believe the vineyards are consistent with our agribusiness strategy and provide diversification to our crop production and operating results.

Rental Operations Division

With respect to our rental operations division, key elements of our strategy include the following:

- *Secure Additional Rental and Housing Units*. Our housing, commercial and land rental operations provide us with a consistent, dependable source of cash flow that helps to fund our overall activities. Additionally, we believe our housing rental operation allows us to offer a unique benefit to our employees. We have built and leased 65 out of a total of 71 approved additional units through infill projects on existing sites and groupings of units on new sites within our owned acreage. We plan to build and lease the 6 additional remaining units in fiscal 2020.

- *Opportunistically Lease Land to Third-Party Crop Farmers*. We regularly monitor the profitability of our fruit-producing acreage to ensure acceptable per acre returns. When we determine that leasing the land to third-party row crop farmers would be more profitable than farming the land, we intend to seek third-party row crop tenants.

- *Opportunistically Expand our Income-Producing Commercial and Industrial Rental Assets*. We intend to redeploy our future financial gains to acquire additional income-producing real estate investments and agricultural properties.

Real Estate Development Division

With respect to our real estate development division, key elements of our strategy include:

- *Selectively and Responsibly Develop our Agricultural Land*. We recognize that long-term strategies are required for successful real estate development activities. We thus intend to maintain our position as a responsible agricultural landowner and major employer in Ventura County while focusing our real estate development activities on those agricultural land parcels that we believe offer the best opportunities to demonstrate our long-term vision for our community.

- *Opportunistically Increase our Real Estate Holdings*. We intend to redeploy our future financial gains to acquire additional income-producing real estate investments and agricultural properties.

Customers

With respect to our fresh lemons and lemon packing segments, we have marketed and sold our lemons directly to our food service, wholesale and retail customers in the United States, Canada, Asia, Australia and certain other international markets since 2010. We sold lemons to approximately 255 U.S. and international customers during fiscal year 2019. In terms of our avocados segment, we sell all of our avocados to Calavo. In our other agribusiness segment, our oranges, specialty citrus and other crops are sold through Sunkist and other third-party packinghouses and our wine grapes are sold to wine producers.

Raw Materials

In our fresh lemons and lemon packing segments, paper is considered to be a material raw product for our business because most of our products are packed in cardboard cartons for shipment. Paper is readily available and we have numerous suppliers for such material. In our agribusiness division, petroleum-based products such as herbicides and pesticides are considered to be raw materials and we have numerous suppliers for these products.

Information about Geographic Areas

During fiscal year 2019, we had approximately \$3.2 million of lemon and orange sales in Chile by PDA and San Pablo and \$14.7 million of lemon sales in Argentina by Trapani Fresh. During fiscal year 2018, we had approximately \$2.8 million of lemon and orange sales in Chile by PDA and San Pablo. During fiscal year 2017, we had approximately \$1.1 million of lemon and orange sales in Chile by PDA. The majority of our avocados, oranges and specialty citrus and other crops are sold to packinghouses and processors located in the United States. Most of our long-lived assets are located within the United States. Long-lived assets, net of accumulated depreciation, located in Chile and Argentina were \$15.6 million and \$18.7 million, respectively, as of October 31, 2019 and \$15.7 million in Chile as of October 31, 2018.

Seasonal Nature of Business

As with any agribusiness enterprise, our agribusiness division operations are predominantly seasonal in nature. The harvest and sale of our lemons, avocados, oranges and specialty citrus and other crops occurs in all quarters, but is generally more concentrated during our third quarter. With respect to our fresh lemons and lemon packing segment, our lemons are generally grown and marketed throughout the year. In terms of our avocados segment, our avocados are sold primarily from January through August. In terms of our other agribusiness segment, our Navel oranges are primarily sold from January through June; our Valencia oranges are primarily sold from June through September; our specialty citrus is sold from November through April and our specialty crops, such as pistachios and wine grapes, are sold in September and October.

Competition

The agribusiness division crop markets, including those in which all of our agribusiness segments operate, are intensely competitive, but no single producer has any significant market power over any market segments, as is consistent with the production of most agricultural commodities. Generally, there are a large number of global producers that sell through joint marketing organizations and cooperatives. Fruit is also sold to independent packers, both public and private, who then sell to their own customer base. Customers are typically large retail chains, food service companies, industrial manufacturers and distributors who sell and deliver to smaller customers in local markets throughout the world. In the purest sense, our largest competitors in our agribusiness segments are other citrus and avocado producers in California, Mexico, Chile, Argentina and Florida, a number of which are members of cooperatives such as Sunkist or have selling relationships with Calavo similar to that of Limoneira. We also compete with other fruits and vegetables for the share of consumer expenditures devoted to fresh fruit and vegetables: apples, pears, melons, pineapples and other tropical fruit. In our avocados segment specifically, avocado products compete in the supermarket with hummus products and other dips and salsas. According to the USDA, U.S. producers of fruit and tree nuts generate approximately $25 billion in revenue from fruit and tree nuts annually, about 20% of which is exported. For our specific crops, the size of the U.S. market is approximately $720 million for lemons, both fresh and juice, approximately $400 million for avocados, and approximately $1.8 billion for oranges, both fresh and juice. Competition in the various markets in which our agribusiness division operates is affected by reliability of supply, product quality, brand recognition and perception, price and the ability to satisfy changing customer preferences through innovative product offerings.

The sale and leasing of residential, commercial and industrial real estate is very competitive, with competition coming from numerous and varied sources throughout California. Our greatest direct competition for each of our current real estate development properties in Ventura and Santa Barbara Counties comes from other residential and commercial developments in nearby areas.

Intellectual Property

We have numerous trademarks and brands under which we market and sell our fruits, particularly lemons, domestically and internationally, many of which have been owned for decades. In our fresh lemons and lemon packing segment, the brands of Limoneira lemons which are of importance include: Santa®, Paula®, Bridal Veil®, Fountain®, Golden Bowl® and Level®; these examples of trademarks are owned by us and registered with the United States Patent and Trademark Office. We also acquired certain lemon brands with acquisitions, including Kiva® and Kachina®, Oxnard Lemon, Uno, Sunny, Trapani, Argentinian Beauty, Natural and Trapani Fresh.

Employees

At October 31, 2019, we had 319 employees, of which 101 were salaried and 218 were hourly. None of our employees are subject to a collective bargaining agreement. We believe that our relations with our employees are good.

Research and Development

For our agribusiness division, our research and development programs concentrate on sustaining the productivity of our agricultural lands, product quality and value-added product development. Agricultural research is directed toward sustaining and improving product yields and product quality by examining and improving agricultural practices in all phases of production (such as the development of specifically adapted plant varieties, land preparation, fertilization, pest and disease control, post-harvest handling, packing and shipping procedures), and includes on-site technical services and the implementation and monitoring of recommended agricultural practices. Research efforts are also directed towards integrated pest management. We conduct agricultural research at field facilities throughout our growing areas. We also sponsor research related to environmental improvements and the protection of worker and community health. The aggregate amounts we spent on research and development in each of the last three years have not been material in any such year.

Environmental and Regulatory Matters

Our agribusiness and real estate development divisions are subject to a broad range of evolving federal, state and local environmental laws and regulations. For example, the growing, packing, storing and distributing of our products is extensively regulated by various federal and state agencies. The California State Department of Food and Agriculture oversees our packing and processing of lemons and conducts tests for fruit quality and packaging standards. We are also subject to laws and regulations which govern the use of pesticides and other potentially hazardous substances and the treatment, handling, storage and disposal of materials and waste and the remediation of contaminated properties. Advertising of our products is subject to regulation by the Federal Trade Commission and our operations are subject to certain health and safety regulations, including those issued under the Occupational Safety and Health Act.

We seek to comply at all times with all such laws and regulations and to obtain any necessary permits and licenses, and we are not aware of any instances of material non-compliance. We believe our facilities and practices are sufficient to maintain compliance with applicable governmental laws, regulations, permits and licenses. Nevertheless, there is no guarantee that we will be able to comply with any future laws and regulations for necessary permits and licenses. Our failure to comply with applicable laws and regulations or obtain any necessary permits and licenses could subject us to civil remedies including fines, injunctions, recalls or seizures, as well as potential criminal sanctions. These remedies can increase costs, decrease revenues and lead to additional charges to earnings, which may have a material adverse effect on our business, results of operations and financial condition.

Item 1A. Risk Factors

Investing in our common stock involves a high degree of risk. There are numerous and varied risks, known and unknown, that may prevent us from achieving our goals. The risks described below are not the only ones we will face. If any of the following risks or other risks actually occurs, our business, financial condition, results of operations or future prospects could be materially and adversely affected. In such event, the trading price of our common stock could decline and investors in our common stock could lose all or part of their investment.

Risks Related to Our Agribusiness Division

Adverse weather conditions, natural disasters, including earthquakes and wildfires, and other natural conditions, including the effects of climate change, could impose significant costs and losses on our business.

Fresh produce is vulnerable to adverse weather conditions, including windstorms, floods, drought and temperature extremes, which are quite common and may occur with higher frequency or be less predictable in the future due to the effects of climate change. Unfavorable growing conditions can reduce both crop size and crop quality. In extreme cases, entire harvests may be lost in some geographic areas.

All of our crops are subject to damage from frosts and freezes, and this has happened periodically in the recent past. In some cases, the fruit is damaged or ruined; in the case of extended periods of cold, the trees can also be damaged or killed.

Additionally, a significant portion of our agricultural plantings and our corporate headquarters are located in a region of California that is prone to natural disasters such as earthquakes and wildfires. For example, in December 2017, high winds and the related Southern California wildfires caused a brief power outage at our Santa Paula, California packinghouse and destroyed 14 of our approximately 260 farm worker housing units. While our orchards did not suffer significant damage in the wildfire, the potential for significant damage to a substantial amount of our plantings from a natural disaster in the future continues to exist. Furthermore, if a natural disaster or other event occurs that prevents us from using all or a significant portion of our corporate headquarters, as a result of a power outage or otherwise, or that damages critical infrastructure, it may be difficult or, in certain cases, impossible for us to continue our business for a substantial amount of time.

For the foregoing reasons, adverse weather conditions, natural disasters, including earthquakes and wildfires, or other natural conditions, including the effects of climate change, could severely disrupt our operations, and have a material adverse effect on our business, results of operations, financial condition and prospects.

Our agricultural plantings are potentially subject to damage from disease and pests, which could impose losses on our business and the prevention of which could impose significant additional costs on us.

Fresh produce is also vulnerable to crop disease and to pests, e.g., Mediterranean Fruit Fly and the Asian Citrus Psyllid (“ACP”), which may vary in severity and effect, depending on the stage of production at the time of infection or infestation, the type of treatment applied and climatic conditions.

One such pest is ACP, an aphid–like insect that is a serious pest to all citrus plants because it can transmit the disease, Huanglongbing ("HLB"), when it feeds on the plants' leaves and trees. By itself, ACP causes only minor cosmetic damage to citrus trees. HLB, however, is considered to be one of the most devastating diseases of citrus in the world. Trees infected with HLB decline in health, produce inedible fruit and eventually die, usually in 3 to 5 years after becoming infected. Currently, there is no cure for the disease and infected trees must be removed and destroyed to prevent further spreading.

ACP is a federal action quarantine pest subject to interstate and international quarantine restrictions by the United States Department of Agriculture ("USDA"), including a prohibition on the movement of nursery stock out of quarantine areas and a requirement that all citrus fruit be cleaned of leaves and stems prior to movement out of the quarantine area. ACP and HLB exist domestically in Florida, Louisiana, Georgia, South Carolina and Texas and internationally in countries such as Mexico. ACP exists in California, including in our orchards. To date, HLB has also been detected in Los Angeles, Orange, Riverside and San Bernardino Counties in California. There can be no assurance that HLB will not be further detected in the future. Due to the discovery of ACP in our orchards, we have experienced costs related to the quarantine and treatment of ACP and incurred approximately $0.9 million of costs in fiscal year 2019 related to pest control efforts targeted against ACP. To date, there has been no HLB detected in our orchards.

There are a number of registered insecticides known to be effective against ACP. However, certain markets and customer responses to the discovery of ACP and the related quarantine could result in a significant decline in revenue due to restrictions on where our lemons can be sold and lower demand for our lemons. Additional government regulations and other quarantine requirements or customer handling and inspection requirements could increase agribusiness costs to us. Our citrus orchards could be at risk if ACP starts to transmit the HLB disease to our trees. Agribusiness costs could also increase significantly as a result of HLB. For example, a study in Florida indicated the presence of HLB has increased citrus production costs by as much as 40%.

The costs to control these diseases and other infestations vary depending on the severity of the damage and the extent of the plantings affected. Moreover, there can be no assurance that available technologies to control such infestations will continue to be effective. These infestations can increase costs, decrease revenues and lead to additional charges to earnings, which may have a material adverse effect on our business, results of operations and financial condition.

Our business is highly competitive and we cannot assure you that we will maintain our current market share.

Many companies compete in our different businesses. However, only a few well-established companies operate on an international, national and regional basis with one or several product lines. We face strong competition from these and other companies in all our product lines.

Important factors with respect to our competitors include the following:

- Some of our competitors may have greater operating flexibility and, in certain cases, this may permit them to respond better or more quickly to changes in the industry or to introduce new products and packaging more quickly and with greater marketing support.
- We cannot predict the pricing or promotional actions of our competitors or whether those actions will have a negative effect on us.

There can be no assurance that we will continue to compete effectively with our present and future competitors, and our ability to compete could be materially adversely affected by our debt levels and debt service requirements.

Our strategy of marketing and selling our lemons directly to our food service, wholesale and retail customers may not continue to be successful.

Directly obtaining and retaining customers, particularly chain stores and other large customers, is highly competitive, and the prices or other terms of our sales arrangements may not be sufficient to retain existing business, maintain current levels of profitability or obtain new business. Industry consolidation (horizontally and vertically) and other factors have increased the buying leverage of the major grocery retailers in our markets, which may put further downward pressure on our pricing and volume and could adversely affect our results of operations.

We depend on our relationship with Calavo and their ability to sell our avocados. Any disruption in this relationship could harm our sales.

We sell 100% of the avocados we grow to Calavo and depend on their willingness and ability to market and sell our avocados to consumers. Calavo sources its avocados from many growers and we cannot control who they will purchase from and how large their orders may be. Should there be any change in our current relationship structure, whereby they buy our entire avocado crop, we would need to find replacement buyers to purchase our remaining crop, which could take time and expense and may result in less favorable terms of sale. Any loss of Calavo as a customer on a whole may cause a material loss in our profits, as it may take time to fill any such void.

Our earnings are sensitive to fluctuations in market supply and prices and demand for our products.

Excess supplies often cause severe price competition in our industry. Growing conditions in various parts of the world, particularly weather conditions such as windstorms, floods, droughts and freezes, as well as diseases and pests, are primary factors affecting market prices because of their influence on the supply and quality of product.

Fresh produce is highly perishable and generally must be brought to market and sold soon after harvest. Some items, such as avocados, oranges and specialty citrus, must be sold more quickly, while other items, such as lemons, can be held in cold storage for longer periods of time. The selling price received for each type of produce depends on all of these factors, including the availability and quality of the produce item in the market and the availability and quality of competing types of produce.

In addition, general public perceptions regarding the quality, safety or health risks associated with particular food products could reduce demand and prices for some of our products. To the extent that consumer preferences evolve away from products that we produce for health or other reasons, and we are unable to modify our products or to develop products that satisfy new consumer preferences, there will be a decreased demand for our products. However, even if market prices are unfavorable, produce items which are ready to be, or have been, harvested must be brought to market promptly. A decrease in the selling price received for our products due to the factors described above could have a material adverse effect on our business, results of operations and financial condition.

Our earnings may be subject to seasonal variability.

Our earnings may be affected by seasonal factors, including:

- the seasonality of our supplies and consumer demand;
- the ability to process products during critical harvest periods; and
- the timing and effects of ripening and perishability.

Our lemons are generally grown and marketed throughout the year. Our Navel oranges are sold generally from January through April and our Valencia oranges are sold generally from June through September. Our avocados are sold generally from January through August. Our specialty citrus is sold generally from November through June and our pistachios and wine grapes are sold generally in September and October.

Currency exchange fluctuation may impact the results of our operations.

We distribute our products both nationally and internationally. Our international sales are primarily transacted in U.S. dollars. Our results of operations are affected by fluctuations in currency exchange rates in both sourcing and selling locations. In the past, periods of a strong U.S. dollar relative to other currencies have led international customers, particularly in Asia, to find alternative sources of fruit.

Increases in commodity or raw product costs, such as fuel and paper, could adversely affect our operating results.

Many factors may affect the cost and supply of fresh produce, including external conditions, commodity market fluctuations, currency fluctuations, changes in governmental laws and regulations, agricultural programs, severe and prolonged weather conditions and natural disasters. Increased costs for purchased fruit have negatively impacted our operating results in the past, and there can be no assurance that they will not adversely affect our operating results in the future.

The price of various commodities can significantly affect our costs. The cost of petroleum-based products is volatile and there can be no assurance that there will not be further increases in such costs in the future. If the price of oil rises, the costs of our herbicides and pesticides can be significantly impacted.

The cost of paper is also significant to us because some of our products are packed in cardboard boxes for shipment. If the price of paper increases and we are not able to effectively pass these price increases along to our customers, then our operating income will decrease. Increased costs for paper have negatively impacted our operating income in the past, and there can be no assurance that these increased costs will not adversely affect our operating results in the future.

Increases in labor, personnel and benefits costs could adversely affect our operating results.

We primarily utilize labor contractors to grow, harvest and deliver our fruit to our lemon packinghouse or outside packing facilities. We utilize a combination of employees and labor contractors to process our lemons in our lemon packing facility. Our employees and contractors are in demand by other agribusinesses and other industries. Shortages of labor could delay our harvesting or lemon processing activities or could result in increases in labor costs.

We and our labor contractors are subject to government mandated wage and benefit laws and regulations. For example, the State of California, where a substantial number of our labor contractors are located, passed regulations which increased minimum wage rates from $12.00 per hour to $13.00 per hour, effective January 1, 2020, and will gradually increase to $15.00 per hour by 2022. The State of Arizona also increased minimum wage rates from $11.00 per hour to $12.00 per hour, effective January 1, 2020, and after that will rise each year based on the annual cost of living. In addition, current or future federal or state healthcare legislation and regulation, including the Affordable Care Act, may increase our medical costs or the medical costs of our labor contractors that could be passed on to us.

Changes in immigration laws could impact the ability of Limoneira to harvest its crops.

We engage third parties to provide personnel for our harvesting operations. The availability and number of such workers is subject to decrease if there are changes in U.S. immigration laws. The states in which we operate are considering or have already adopted new immigration laws or enforcement programs, and the U.S. Congress and the Department of Homeland Security from time to time consider and may implement changes to federal immigration laws, regulations or enforcement programs. Immigration laws have recently been an area of considerable focus by the Department of Homeland Security, with enforcement operations taking place across the country, resulting in arrests and detentions of unauthorized workers. Termination of a significant number of personnel who are found to be unauthorized workers or the scarcity of available personnel to harvest our agricultural products could cause harvesting costs to increase or could lead to the loss of product that is not timely harvested, which could have a material adverse effect to our citrus grove operations, financial position, results of operations and cash flows.

The lack of sufficient water would severely impact our ability to produce crops or develop real estate.

The average rainfall in Ventura, Tulare, San Luis Obispo and San Bernardino Counties in California is substantially below amounts required to grow crops and therefore we are dependent on our rights to pump water from underground aquifers. Extended periods of drought in California may put additional pressure on the use and availability of water for agricultural uses, and in some cases governmental authorities have diverted water to other uses. As California has grown in population, there are increasing and multiple pressures on the use and distribution of water, which many view as a finite resource. Lack of available potable water can also limit real estate development.

Our water resources include water rights, usage rights and pumping rights to the water in aquifers under, and canals that run through, the land we own. Water for our farming operations is sourced from the existing water resources associated with our land, which includes rights to water in the adjudicated Santa Paula Basin (aquifer) and the un-adjudicated Fillmore and Paso Robles Basins (aquifers). We use ground water and water from local water districts in Tulare County and we use ground water in San Bernardino County. Following our acquisition of Associated, we began using federal project water in Arizona from the Colorado River through the YMIDD. In February 2017, we acquired water rights with our purchase of 90% of PDA and in July 2018, we acquired additional water rights in Chile with our acquisition of San Pablo.

California has historically experienced periods of below average precipitation. Though recent precipitation has brought relief to California’s drought conditions, the last few years have been among the most severe droughts on record. Rainfall, snow levels and water content of snow pack had previously been significantly below historical averages. These conditions resulted in reduced water levels in streams, rivers, lakes, aquifers and reservoirs. The governor of California declared a drought State of Emergency in February 2014, which was lifted in April 2017. Federal officials oversee the Central Valley Project, California’s largest water delivery system and 100% of the contracted amount of water was provided to San Joaquin Valley farmers in 2019 through 2017 compared to 75% in 2016 and zero in 2015 and 2014.

For fiscal year 2019, irrigation costs for our agricultural operations were $0.3 million lower than fiscal year 2018. Costs may increase as we pump more water than our historical averages and federal, state and local water delivery infrastructure costs may increase to access these limited water supplies. We have an ongoing plan for irrigation improvements in fiscal year 2020 that includes drilling new wells and upgrading existing wells and irrigation systems.

We believe we have access to adequate supplies of water for our agricultural operations as well as our real estate development and rental operations segments of our business and currently do not anticipate that future drought conditions will have a material impact on our operating results. However, if future drought conditions are worse than prior drought conditions or if regulatory responses to such conditions limit our access to water, our business could be negatively impacted by these conditions and responses in terms of access to water and/or cost of water.

The use of herbicides, pesticides and other potentially hazardous substances in our operations may lead to environmental damage and result in increased costs to us.

We use herbicides, pesticides and other potentially hazardous substances in the operation of our business. We may have to pay for the costs or damages associated with the improper application, accidental release or use or misuse of such substances. Our insurance may not be adequate to cover such costs or damages or may not continue to be available at a price or under terms that are satisfactory to us. In such cases, payment of such costs or damages could have a material adverse effect on our business, results of operations and financial condition.

Environmental and other regulation of our business, including potential climate change regulation, could adversely impact us by increasing our production cost or restricting our ability to import certain products into the United States.

Our business depends on the use of fertilizers, pesticides and other agricultural products. The use and disposal of these products in some jurisdictions are subject to regulation by various agencies. A decision by a regulatory agency to significantly restrict the use of such products that have traditionally been used in the cultivation of one of our principal products could have an adverse impact on us. Under the Federal Insecticide, Fungicide and Rodenticide Act, the Federal Food, Drug and Cosmetic Act and the Food Quality Protection Act of 1996, the EPA is undertaking a series of regulatory actions relating to the evaluation and use of pesticides in the food industry. Similarly, in the EU, regulation (EC) No. 1107/2009 which became effective on June 14, 2011, fundamentally changed the pesticide approval process from the current risk base to hazard criteria based on the intrinsic properties of the substance. These actions and future actions regarding the availability and use of pesticides could have an adverse effect on us. In addition, if a regulatory agency were to determine that we are not in compliance with a regulation in that agency's jurisdiction, this could result in substantial penalties and a ban on the sale of part or all of our products in that jurisdiction.

There has been a broad range of proposed and promulgated state, national and international regulation aimed at reducing the effects of climate change. Such regulations apply or could apply in countries where we have interests or could have interests in the future. In the United States, there is a significant possibility that some form of regulation will be enacted at the federal level to address the effects of climate change. Such regulation could take several forms that could result in additional costs in the form of taxes, the restriction of output, investments of capital to maintain compliance with laws and regulations, or required acquisition or trading of emission allowances. Climate change regulation continues to evolve, and while it is not possible to accurately estimate either a timetable for implementation or our future compliance costs relating to implementation, we do not believe that such regulation is reasonably likely to have a material effect in the foreseeable future on our business, results of operations, capital expenditures or financial position.

Global capital and credit market issues affect our liquidity, increase our borrowing costs and may affect the operations of our suppliers and customers.

The global capital and credit markets have experienced increased volatility and disruption over the past several years, making it more difficult for companies to access those markets. We depend in part on stable, liquid and well-functioning capital and credit markets to fund our operations. Although we believe that our operating cash flows and existing credit facilities will permit us to meet our financing needs for the foreseeable future, there can be no assurance that continued or increased volatility and disruption in the capital and credit markets will not impair our liquidity or increase our costs of borrowing. Our business could also be negatively impacted if our suppliers or customers experience disruptions resulting from tighter capital and credit markets or a slowdown in the general economy.

A global economic downturn may have an adverse impact on participants in our industry, which cannot be fully predicted.

The full impact of a global economic downturn on customers, vendors and other business partners cannot be anticipated. For example, major customers or vendors may have financial challenges unrelated to us that could result in a decrease in their business with us or, in extreme cases, cause them to file for bankruptcy protection. Similarly, parties to contracts may be forced to breach their obligations under those contracts. Although we exercise prudent oversight of the credit ratings and financial strength of our major business partners and seek to diversify our risk to any single business partner, there can be no assurance that there will not be a bank, insurance company, supplier, customer or other financial partner that is unable to meet its contractual commitments to us.

Similarly, stresses and pressures in the industry may result in impacts on our business partners and competitors, which could have wide ranging impacts on the future of the industry.

We are subject to the risk of product contamination and product liability claims.

The sale of food products for human consumption involves the risk of injury to consumers. Such injuries may result from tampering by unauthorized third parties, product contamination or spoilage, including the presence of foreign objects, substances, chemicals, other agents, or residues introduced during the growing, storage, handling or transportation phases. While we are subject to governmental inspection and regulations and believe our facilities comply in all material respects with all applicable laws and regulations, we cannot be sure that consumption of our products will not cause a health-related illness in the future or that we will not be subject to claims or lawsuits relating to such matters. Even if a product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertion that our products caused illness or injury could adversely affect our reputation with existing and potential customers and our corporate and brand image. Moreover, claims or liabilities of this sort might not be covered by our insurance or by any rights of indemnity or contribution that we may have against others. We maintain product liability insurance however, we cannot be sure that we will not incur claims or liabilities for which we are not insured or that exceed the amount of our insurance coverage.

We are subject to transportation risks.

An extended interruption in our ability to ship our products could have a material adverse effect on our business, financial condition and results of operations. Similarly, any extended disruption in the distribution of our products could have a material adverse effect on our business, financial condition and results of operations. While we believe we are adequately insured and would attempt to transport our products by alternative means if we were to experience an interruption due to strike, natural disasters or otherwise, we cannot be sure that we would be able to do so or be successful in doing so in a timely and cost-effective manner.

Events or rumors relating to LIMONEIRA or our other trademarks and related brands could significantly impact our business.

Consumer and institutional recognition of the LIMONEIRA, Santa®, Paula®, Bridal Veil®, Fountain®, Golden Bowl®, Level®, Kiva®, Kachina®, Oxnard Lemon, Uno, Sunny, Trapani, Argentinian Beauty, Natural and Trapani Fresh trademarks and related brands and the association of these brands with high quality and safe food products are an integral part of our business. The occurrence of any events or rumors that cause consumers and/or institutions to no longer associate these brands with high quality and safe food products may materially adversely affect the value of our brand names and demand for our products.

We are dependent on key personnel and the loss of one or more of those key personnel may materially and adversely affect our prospects.

We currently depend heavily on the services of our key management personnel. The loss of any key personnel could materially and adversely affect our results of operations, financial condition, or our ability to pursue land development. Our success will also depend in part on our ability to attract and retain additional qualified management personnel.

Inflation can have a significant adverse effect on our operations.

Inflation can have a major impact on our farming operations. The farming operations are most affected by escalating costs and unpredictable revenues (due to an oversupply of certain crops) and very high irrigation water costs. High fixed water costs related to our farm lands will continue to adversely affect earnings. Prices received for many of our products are dependent upon prevailing market conditions and commodity prices. Therefore, it is difficult for us to accurately predict revenue and we cannot pass on cost increases caused by general inflation, except to the extent reflected in market conditions and commodity prices.

System security risks, data protection breaches, cyber-attacks and systems integration issues could disrupt our internal operations or services provided to customers, and any such disruption could reduce our expected revenue, increase our expenses, damage our reputation and adversely affect our stock price.

Computer programmers and hackers may be able to penetrate our network security and misappropriate or compromise our confidential information or that of third parties, create system disruptions or cause shutdowns. Computer programmers and hackers also may be able to develop and deploy viruses, worms, and other malicious software programs that attack our products or otherwise exploit any security vulnerabilities of our products. In addition, sophisticated hardware and operating system software and applications that we produce or procure from third parties may contain defects in design or manufacture, including "bugs" and other problems that could unexpectedly interfere with the operation of the system. The costs to us to eliminate or alleviate cyber or other security problems, bugs, viruses, worms, malicious software programs and security vulnerabilities could be significant, and our efforts to address these problems may not be successful and could result in interruptions, delays, cessation of service and loss of existing or potential customers that may impede our sales, packing, distribution or other critical functions.

Portions of our IT infrastructure also may experience interruptions, delays or cessations of service or produce errors in connection with systems integration or migration work that takes place from time to time. We may not be successful in implementing new systems and transitioning data, which could cause business disruptions and be more expensive, time consuming, disruptive and resource-intensive. Such disruptions could adversely impact our ability to fulfill orders and interrupt other processes. Delayed sales, lower margins or lost customers resulting from these disruptions could adversely affect our financial results, stock price and reputation.

Government regulation could increase our costs of production and increase legal and regulatory expenses.

Growing, packaging, storing and distributing food products are activities subject to extensive federal, state and local regulation, as well as foreign regulation. These aspects of our operations are regulated by the U.S. Food and Drug Administration (the "FDA"), the USDA and various state and local public health and agricultural agencies. On January 4, 2011, the FDA Food Safety Modernization Act was enacted and intended to ensure food safety. This Act provides direct recall authority to the FDA and includes a number of other provisions designed to enhance food safety, including increased inspections by the FDA of food facilities. The Federal Perishable Agricultural Commodities Act, which specifies standards for the sale, shipment, inspection and rejection of agricultural products, governs our relationships with our fresh food suppliers with respect to the grading and commercial acceptance of product shipments. Our business is also affected by import and export controls and similar laws and regulations, both in the United States and elsewhere. Issues such as health and safety, which may slow or otherwise restrict imports and exports, could adversely affect our business. In addition, the modification of existing laws or regulations or the introduction of new laws or regulations could require us to make material expenditures or otherwise adversely affect the way that we have historically operated our business.

Our strategy to expand international production and marketing may not be successful and may subject us to risks associated with doing business in corrupt environments.

While we intend to expand our lemon supply sources to international markets and explore opportunities to expand our international production and marketing of lemons, we may not be successful in implementing this strategy. Additionally, in many countries outside of the United States, particularly in those with developing economies, it may be common for others to engage in business practices prohibited by laws and regulations applicable to us, such as the Foreign Corrupt Practices Act or similar local anti-bribery laws. These laws generally prohibit companies and their employees, contractors or agents from making improper payments to government officials for the purpose of obtaining or retaining business. Failure to comply with these laws could subject us to civil and criminal penalties that could materially and adversely affect our financial condition and results of operations.

The acquisition of other businesses could pose risks to our operating income.

We intend to continue to consider acquisition prospects that we think complement our business. While we are not currently a party to any agreement with respect to any acquisitions, we may acquire other businesses in the future. Future acquisitions by us could result in accounting charges, potentially dilutive issuances of equity securities, and increased debt and contingent liabilities, any of which could have a material adverse effect on our business and the market price of our common stock. Acquisitions entail numerous risks, including the integration of the acquired operations, diversion of management's attention to other business concerns, risks of entering markets in which we have limited prior experience, and potential loss of key employees of acquired organizations. We may be unable to successfully integrate businesses or the personnel of any business that might be acquired in the future, and our failure to do so could have a material adverse effect on our business and on the market price of our common stock.

We depend on our infrastructure to have sufficient capacity to handle our annual lemon production needs.

We have an infrastructure that has sufficient capacity for our lemon production needs, but if we lose machinery or facilities due to natural disasters or mechanical failure, we may not be able to operate at a sufficient capacity to meet our lemon production needs. This could have a material adverse effect on our business, which could impact our results of operations and our financial condition.

Risks Related to Our Indebtedness

We may be unable to generate sufficient cash flow to service our debt obligations.

To service our debt, we require a significant amount of cash. Our ability to generate cash, make scheduled payments or refinance our obligations depends on our successful financial and operating performance. Our financial and operating performance, cash flow and capital resources depend upon prevailing economic conditions and various financial, business and other factors, many of which are beyond our control. These factors include among others:

- economic and competitive conditions;
- changes in laws and regulations;
- operating difficulties, increased operating costs or pricing pressures we may experience; and
- delays in implementing any strategic projects.

If our cash flow and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell material assets or operations, obtain additional capital or restructure our debt. If we are required to take any actions referred to above, it could have a material adverse effect on our business, financial condition and results of operations. In addition, we cannot assure you that we would be able to take any of these actions on terms acceptable to us, or at all, or that these actions would enable us to continue to satisfy our capital requirements or that these actions would be permitted under the terms of our various debt agreements.

Restrictive covenants in our debt instruments restrict or prohibit our ability to engage in or enter into a variety of transactions, which could adversely restrict our financial and operating flexibility and subject us to other risks.

Our revolving and non-revolving credit and term loan facilities contain various restrictive covenants that limit our ability to take certain actions. In particular, these agreements limit our ability to, among other things:

- incur additional indebtedness;
- make certain investments or acquisitions;
- create certain liens on our assets;
- engage in certain types of transactions with affiliates;
- merge, consolidate or transfer substantially all our assets; and
- transfer and sell assets.

Our revolving and non-revolving credit facility with the Farm Credit West Credit Facility and our Wells Fargo Term Loan contain a financial covenant that requires us to maintain compliance with a specified debt service coverage ratio on an annual basis. At October 31, 2019, we were not in compliance with such debt service coverage ratio and the non-compliance was waived by Farm Credit West and Wells Fargo. Our failure to comply with this covenant in the future may result in the declaration of an event of default under our Farm Credit West Credit Facility and Wells Fargo Term Loan.

Any or all of these covenants could have a material adverse effect on our business by limiting our ability to take advantage of financing, merger and acquisition or other corporate opportunities and to fund our operations. Any future debt could also contain financial and other covenants more restrictive than those imposed under our line of credit and term loan facilities. A breach of a covenant or other provision in any credit facility governing our current and future indebtedness could result in a default under that facility and, due to cross-default and cross-acceleration provisions, could result in a default under our other credit facilities. Upon the occurrence of an event of default under any of our credit facilities, the applicable lender(s) could elect to declare all amounts outstanding to be immediately due and payable and, with respect to our revolving credit facility, terminate all commitments to extend further credit. If we were unable to repay those amounts, our lenders could proceed against the collateral granted to them to secure the indebtedness. If the lenders under our current or future indebtedness were to accelerate the payment of the indebtedness, we cannot assure you that our assets or cash flow would be sufficient to repay in full our outstanding indebtedness.

Despite our relatively high current indebtedness levels and the restrictive covenants set forth in agreements governing our indebtedness, we may still incur significant additional indebtedness, including secured and guaranteed indebtedness. Incurring more indebtedness could increase the risks associated with our substantial indebtedness.

Subject to the restrictions in our credit facilities, we may incur significant additional indebtedness. If new debt is added to our current debt levels, the related risks that we now face could increase.

In January 2018, the Joint Venture entered into a $45.0 million unsecured Line of Credit Loan Agreement and Promissory Note (the “Loan”) with Bank of America, N.A. to fund early development activities. The Loan matures in January 2020, with an option to extend the maturity date until 2021, subject to certain conditions. The interest rate on the Loan is LIBOR plus 2.85%, payable monthly. The Loan contains certain customary default provisions and the Joint Venture may prepay any amounts outstanding under the Loan without penalty. In February 2018, the obligations under the Loan were guaranteed by certain principals from Lewis and by the Company. Defaults by the Joint Venture could increase our indebtedness.

Some of our debt is based on variable rates of interest, which could result in higher interest expenses in the event of an increase in the interest rates.

Our Farm Credit West Credit Facility currently bears interest at a variable rate, which will generally change as interest rates change. We bear the risk that the rates we are charged by our lender will increase faster than the earnings and cash flow of our business, which could reduce profitability, adversely affect our ability to service our debt, cause us to breach covenants contained in our Farm Credit West Credit Facility, which could materially adversely affect our business, financial condition and results of operations. Several of the Company's debt agreements use LIBOR as a reference rate. The expected discontinuation of LIBOR after 2021 could have a significant impact on the Company if we cannot replace LIBOR with alternative reference rates at or below the current LIBOR rate.

Risks Related to Our Real Estate Development Division

We are involved in a cyclical industry and are affected by changes in general and local economic conditions.

The real estate development industry is cyclical and is significantly affected by changes in general and local economic conditions, including:

- employment levels;
- availability of financing;
- interest rates;
- consumer confidence;
- demand for the developed product, whether residential or industrial;
- supply of similar product, whether residential or industrial; and
- local, state and federal government regulation, including eminent domain laws, which may result in taking for less compensation than the owner believes the property is worth.

The process of project development and the commitment of financial and other resources occur long before a real estate project comes to market. A real estate project could come to market at a time when the real estate market is depressed. It is also possible in a rural area like ours that no market for the project will develop as projected.

A recession in the global economy, or a downturn in national or regional economic conditions, could adversely impact our real estate development business.

Future economic instability or tightening in the credit markets could lead to another housing market collapse, which could adversely affect our real estate development operations. Our future real estate sales, revenues, financial condition and results of operations could suffer as a result. Our business is especially sensitive to economic conditions in California and Arizona, where our properties are located.

Higher interest rates and lack of available financing can have significant impacts on the real estate industry.

Higher interest rates generally impact the real estate industry by making it harder for buyers to qualify for financing, which can lead to a decrease in the demand for residential, commercial or industrial sites. Any decrease in demand will negatively impact our proposed developments. Since the most recent recession, the U.S. Federal Reserve has taken actions which have resulted in low interest rates prevailing in the marketplace for a historically long period of time. In August, September and October 2019, the U.S. Federal Reserve lowered its benchmark interest rates by a quarter of a percentage point, respectively, which partially offset four consecutive raises by a quarter of a percentage point in 2018. Market interest rates may increase in the future and the increase may materially and negatively affect us. Lack of available credit to finance real estate purchases can also negatively impact demand. Any downturn in the economy or consumer confidence can also be expected to result in reduced housing demand and slower industrial development, which would negatively impact the demand for land we are developing.

We are subject to various land use regulations and require governmental approvals for our developments that could be denied.

In planning and developing our land, we are subject to various local, state, and federal statutes, ordinances, rules and regulations concerning zoning, infrastructure design, subdivision of land, and construction. All of our new developments require amending existing general plan and zoning designations, so it is possible that our entitlement applications could be denied. In addition, the zoning that ultimately is approved could include density provisions that would limit the number of homes and other structures that could be built within the boundaries of a particular area, which could adversely impact the financial returns from a given project. In addition, many states, cities and counties (including Ventura County) have in the past approved various "slow growth" or "urban limit line" measures.

If unforeseen regulatory challenges with East Areas I and II occur, we may not be able to develop these projects as planned and the approximately $71.6 million investment we have in the projects could be impaired in the future.

Third-party litigation could increase the time and cost of our real estate development efforts.

The land use approval processes we must follow to ultimately develop our projects have become increasingly complex. Moreover, the statutes, regulations and ordinances governing the approval processes provide third parties the opportunity to challenge the proposed plans and approvals. As a result, the prospect of third-party challenges to planned real estate developments provides additional uncertainties in real estate development planning and entitlements. Third-party challenges in the form of litigation would, by their nature, adversely affect the length of time and the cost required to obtain the necessary approvals. In addition, adverse decisions arising from any litigation would increase the costs and length of time to obtain ultimate approval of a project and could adversely affect the design, scope, plans and profitability of a project.

We are subject to environmental regulations and opposition from environmental groups that could cause delays and increase the costs of our real estate development efforts or preclude such development entirely.

Environmental laws that apply to a given site can vary greatly according to the site's location and condition, the present and former uses of the site, and the presence or absence of sensitive elements like wetlands and endangered species. Environmental laws and conditions may (i) result in delays, (ii) cause us to incur additional costs for compliance, where a significant amount of our developable land is located, mitigation and processing land use applications, or (iii) preclude development in specific areas. In addition, in California, third parties have the ability to file litigation challenging the approval of a project, which they usually do by alleging inadequate disclosure and mitigation of the environmental impacts of the project. While we have worked with representatives of various environmental interests and wildlife agencies to minimize and mitigate the impacts of our planned projects, certain groups opposed to development may oppose our projects vigorously, so litigation challenging their approval could occur. Recent concerns over the impact of development on water availability and global warming increases the breadth of potential obstacles that our developments face.

Our developable land is concentrated entirely in California and Arizona.

All of our developable land is located in California and Arizona, and our business is especially sensitive to the economic conditions within California. Any adverse change in the economic climate of California, Arizona, or our regions of those states, and any adverse change in the political or regulatory climate of California or Arizona, or the counties where our land is located in such states, could adversely affect our real estate development activities. Ultimately, our ability to sell or lease lots may decline as a result of weak economic conditions or restrictive regulations.

If the real estate industry weakens or instability of the mortgage industry and commercial real estate financing exists, it could have an adverse effect on our real estate business.

Our residential housing projects are currently in various stages of planning and entitlement, and therefore they have not been impacted by the downturn in the housing market or the mortgage lending crisis. Recent trends in the housing market have been improving; however, if the residential real estate market weakens or instability of the mortgage industry and commercial real estate financing exists, our residential real estate business could be adversely affected. An excess supply of homes available due to foreclosures or the expectation of deflation in house prices could also have a negative impact on our ability to sell our inventory when it becomes available.

We rely on contractual arrangements with third party advisors to assist us in carrying out our real estate development projects and are subject to risks associated with such arrangements.

We utilize third party contractor and consultant arrangements to assist us in operating our real estate development segment. These contractual arrangements may not be as effective in providing direct control over this business segment. For example, our third-party advisors could fail to take actions required for our real estate development businesses despite their contractual obligation to do so. If the third-party advisors fail to perform under their agreements with us, we may have to rely on legal remedies under the law, which may not be effective. In addition, we cannot assure you that our third-party advisors would always act in our best interests.

If we are unable to complete land development projects within forecasted time and budget expectations, if at all, our financial results may be negatively affected.

We intend to develop land and real estate properties as suitable opportunities arise, taking into consideration the general economic climate. New real estate development projects have a number of risks, including the following:

- Construction delays or cost overruns that may increase project costs;
- Receipt of zoning, occupancy and other required governmental permits and authorizations;
- Development costs incurred for projects that are not pursued to completion;
- Earthquakes, hurricanes, floods, fires or other natural disasters that could adversely affect a project;
- Defects in design or construction that may result in additional costs to remedy or require all or a portion of a property to be closed during the period required to rectify the situation;
- Our ability to raise capital;
- The impact of governmental assessments such as park fees or affordable housing requirements;
- Governmental restrictions on the nature and size of a project or timing of completion; and
- The potential lack of adequate building/construction capacity for large development projects.

If any development project is not completed on time or within budget, our financial results may be negatively affected.

If we are unable to obtain required land use entitlements at reasonable costs, or at all, our operating results would be adversely affected.

The financial performance of our real estate development segment is closely related to our success in obtaining land use entitlements for proposed development projects. Obtaining all of the necessary entitlements to develop a parcel of land is often difficult, costly and may take several years, or more, to complete. In some situations, we may be unable to obtain the necessary entitlements to proceed with a real estate development or may be required to alter our plans for the development. Delays or failures to obtain these entitlements may have a material adverse effect on our financial results.

We could experience a reduction in revenues or reduced cash flows if we are unable to obtain reasonably priced financing to support our real estate development projects and land development activities.

The real estate development industry is capital intensive, and development requires significant up-front expenditures to develop land and begin real estate construction. Accordingly, we have and may continue to incur substantial indebtedness to finance our real estate development and land development activities. Although we believe that internally generated funds and current and available borrowing capacity will be sufficient to fund our capital and other expenditures, including additional land acquisition, development and construction activities, and the amounts available from such sources may not be adequate to meet our needs. If such sources were insufficient, we would seek additional capital in the form of debt from a variety of potential sources, including bank financing. The availability of borrowed funds to be used for additional land acquisition, development and construction may be greatly reduced, and the lending community may require increased amounts of equity to be invested in a project by borrowers in connection with new loans. The failure to obtain sufficient capital to fund our planned expenditures could have a material adverse effect on our business and operations and our results of operations in future periods.

We may encounter risks associated with the real estate joint venture we entered into on November 10, 2015 with the Lewis Group of Companies including:

- the joint venture may not perform financially or operationally as expected;

- land values, project costs, sales absorption or other assumptions included in the development plans may cause the joint venture's operating results to be less than expected;
- the joint venture may not be able to obtain project loans on acceptable terms;
- the joint venture partners may not be able to provide capital to the joint venture in the event external financing or project cash flows are not sufficient to finance the joint venture's operations;
- the joint venture partners may not manage the project properly; and
- disagreements could occur between the joint venture partners that could affect the operating results of the joint venture or could result in a sale of a partner's interest or the joint venture at undesirable values.

We may encounter other risks that could impact our ability to develop our land.

We may also encounter other difficulties in developing our land, including:

- natural risks, such as geological and soil problems, earthquakes, fire, heavy rains and flooding and heavy winds;
- shortages of qualified trades people;
- reliance on local contractors, who may be inadequately capitalized;
- shortages of materials;
- increases in the cost of certain materials; and
- environmental remediation costs.

Risks Related to Our Common Stock

The value of our common stock could be volatile.

The overall market and the price of our common stock may fluctuate greatly and we cannot assure you that you will be able to resell shares at or above market price. The trading price of our common stock may be significantly affected by various factors, including:

- quarterly fluctuations in our operating results;
- changes in investors' and analysts' perception of the business risks and conditions of our business;
- our ability to meet the earnings estimates and other performance expectations of financial analysts or investors;
- unfavorable commentary or downgrades of our stock by equity research analysts;
- fluctuations in the stock prices of our peer companies or in stock markets in general; and
- general economic or political conditions.

Concentrated ownership of our common stock creates a risk of sudden change in our share price.

As of October 31, 2019, directors and members of our executive management team beneficially owned or controlled approximately 3.9% of our common stock. Investors who purchase our common stock may be subject to certain risks due to the concentrated ownership of our common stock. The sale by any of our large stockholders of a significant portion of that stockholder's holdings could have a material adverse effect on the market price of our common stock. In addition, the registration of any significant amount of additional shares of our common stock will have the immediate effect of increasing the public float of our common stock and any such increase may cause the market price of our common stock to decline or fluctuate significantly.

Our charter documents contain provisions that may delay, defer or prevent a change of control.

Provisions of our certificate of incorporation and bylaws could make it more difficult for a third party to acquire control of us, even if the change in control would be beneficial to stockholders. These provisions include the following:

- division of our board of directors into three classes, with each class serving a staggered three-year term;
- removal of directors by stockholders by a supermajority of two-thirds of the outstanding shares;
- ability of the board of directors to authorize the issuance of preferred stock in series without stockholder approval; and
- prohibitions on our stockholders that prevent them from acting by written consent and limitations on calling special meetings.

We incur increased costs as a result of being a publicly traded company.

As a Company with publicly traded securities, we have incurred, and will continue to incur, significant legal, accounting and other expenses. In addition, the Sarbanes-Oxley Act of 2002, as well as rules promulgated by the SEC and NASDAQ, require us to adopt corporate governance practices applicable to U.S. public companies. These rules and regulations may increase our legal and financial compliance costs, which could adversely affect the trading price of our common stock.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Real Estate

We own our corporate headquarters in Santa Paula, California. We own approximately 8,700 acres of farm land in California, with approximately 4,100 acres located in Ventura County, approximately 3,900 acres located in Tulare County in the San Joaquin Valley and approximately 700 acres in San Luis Obispo County. Additionally, we own approximately 1,300 acres located in Yuma, Arizona, 3,500 acres in La Serena, Chile and 1,200 acres in Jujuy, Argentina. In California we lease approximately 30 acres of land located in Ventura County, approximately 80 acres in Tulare County and approximately 800 acres in San Bernardino County. We also have an interest in a partnership that owns approximately 200 acres of land in Ventura County. The land used for agricultural plantings consists of approximately 6,200 acres of lemons, approximately 900 acres of avocados, approximately 1,600 acres of oranges and approximately 1,000 acres of specialty citrus and other crops. Our agribusiness land holdings are summarized below as of October 31, 2019 (in thousands, except per acre amounts):

Ranch Name	Acres	Book Value	Acquisition Date	Book Value per Acre
Limoneira/Olivelands Ranch	1,700	$ 767	1907, 1913, 1920	$ 451
La Campana Ranch	300	758	1964	$ 2,527
Orchard Farm Ranch	1,100	3,240	1990	$ 2,945
Rancho La Cuesta Ranch	200	2,899	1994	$ 14,495
Porterville Ranch	700	6,427	1997	$ 9,181
Ducor Ranch	900	6,064	1997	$ 6,738
Jencks Ranch	100	846	2007	$ 8,460
Windfall Farms	700	16,162	2009	$ 23,089
Stage Coach Ranch	100	603	2012	$ 6,030
Martinez Ranch	200	1,363	2012	$ 6,815
Associated Citrus Packers	1,300	15,035	2013	$ 11,565
Lemons 400	800	5,180	2013	$ 6,475
Sheldon Ranches	900	14,110	2016	$ 15,678
Pan de Azucar	200	2,421	2017	$ 12,105
San Pablo	3,300	8,208	2018	$ 2,487
Santa Clara	1,200	8,600	2019	$ 7,167
Other agribusiness land	400	1,296	various	$ 3,240
	14,100	$ 93,979		

The book value of our agribusiness land holdings of approximately $94.0 million differs from the land balance of $100.5 million included in property, plant and equipment in the notes to the consolidated financial statements in Item 8 of this Annual Report on Form 10-K. The table above presents our current land holdings in farming agribusiness operations and, therefore, excludes Oxnard Lemon land, rental and real estate development land.

We own our packing facilities located in Santa Paula and Oxnard, California and Yuma, Arizona, where we process and pack our lemons as well as lemons for other growers. We commissioned a new $29.0 million lemon packing facility in the second quarter of 2016 to increase capacity and efficiency of our lemon packing operations. In 2008, we entered into an operating lease agreement and completed the installation of a 5.5 acre, one-megawatt ground-based photovoltaic solar generator, which provides the majority of the power to operate our packing facility. The operating lease agreement terminated and the solar generator was purchased in October 2018. In 2009, we completed the installation of a one-megawatt solar array which was leased through an operating lease agreement, which provides us with a majority of the electricity required to operate four deep water well pumps at one of our ranches in the San Joaquin Valley. The operating lease agreement terminated and the solar array was purchased in December 2018.

We own approximately 260 residential units in Ventura and Tulare Counties that we lease as part of our rental operations segment to our employees, former employees and outside tenants and we own several commercial office buildings and properties that are leased to various tenants. We have built 65 out of a total approved 71 additional residential rental units in Ventura County, California which we began renting in May 2015. We plan to build and lease 6 additional units in 2020.

We own real estate development property in the California counties of Santa Barbara and Ventura. These properties are in various stages of development for up to approximately 1,500 residential units and approximately 811,000 square feet of commercial space.

Water and Mineral Rights

Our water resources include water rights, usage rights and pumping rights to the water in aquifers under, and canals that run through, the land we own. We believe we have adequate supplies of water for our agribusiness segments as well as our rental and real estate development segments of our business and currently the California drought did not have a material impact on our operating results. Water for our farming operations located in Ventura County, California is sourced from the existing water resources associated with our land, which includes approximately 8,600 acre feet of adjudicated water rights in the Santa Paula Basin (aquifer) and the un-adjudicated Fillmore Basin. We use a combination of ground water provided by wells which derive water from the San Joaquin Valley Basin and water from various water districts and irrigation districts in Tulare County, California, which is in the agriculturally productive San Joaquin Valley. We use ground water provided by wells which derive water from the Cadiz Valley Basin at the Cadiz Ranch in San Bernardino County, California. Our Windfall Farms property located in San Luis Obispo County, California obtains water from wells which derive water from the Paso Robles Basin. Our Associated farming operations in Yuma, Arizona source water from the Colorado River through the YMIDD, where we have access to approximately 11,700 acre feet of Class 3 Colorado River water rights. In February 2017, we acquired water rights with our purchase of 90% of PDA. In July 2018, we acquired additional water rights in Chile with our acquisition of San Pablo.

Our rights to extract groundwater from the Santa Paula Basin are governed by the Santa Paula Basin Judgment (the “Judgment”). The Judgment was entered in 1996 by stipulation among the United Water Conservation District, the City of Ventura and various members of the Santa Paula Basin Pumpers Association (the “Association”). The Association is a not-for-profit, mutual benefit corporation, which represents the interests of all overlying landowners with rights to extract groundwater from the Santa Paula Basin and the City of Santa Paula. We are a member of the Association. Membership in the Association is governed by the Association's Bylaws.

The Judgment adjudicated and allocated water rights in the Santa Paula Basin among the Association's members and the City of Ventura. The water rights are established and governed by a seven-year moving average (i.e., production can rise or fall in any particular year so long as the seven-year average is not exceeded). Under California law, the water rights are considered "property". A perpetual right to water, evidenced by the Judgment, can be exchanged for interests in real property under IRS Code Section 1031 and if condemned by a public agency, just compensation must be paid to the rightful owner. Our rights under the Judgment are perpetual and considered very firm and reliable which reflects favorably upon their fair market value.

For ease of administration, the Association is appointed by the Judgment as the trustee of its members’ water rights and is responsible for coordinating and promoting the interests of its members. The Judgment includes provisions for staged reductions in production rights should shortage conditions develop. It also allows the adjudicated water rights to be leased or sold among the parties. The Judgment established a Technical Advisory Committee composed of the United Water Conservation District, the City of Ventura and the Association to assist the Superior Court of the State of California, Ventura County (the “Court”), with the technical aspects of Santa Paula Basin management. Finally, the Judgment reserves continuing jurisdiction to the Court to hear motions for enforcement or modification of the Judgment as necessary.

Our California water resources include approximately 17,000 acre feet of water affiliated with our owned properties, of which approximately 8,600 acre feet are adjudicated. In connection with our September 6, 2013 acquisition of Associated and its property ownership in Yuma, Arizona and its related membership in the YMIDD, we have been allocated approximately 11,700 acre feet of water sourced from the Colorado River. Additionally, we own shares in five not-for-profit mutual benefit water companies. Our investments in these water companies provide us with the right to receive a proportionate share of water from each of the water companies.

We believe water is a natural resource that is critical to economic growth in the western United States and firm, reliable water rights are essential to our sustainable business practices. Consequently, we have long been a private steward and advocate of prudent and efficient water management. We have made substantial investments in securing water and water rights in quantities that are sufficient to support and, we believe will exceed, our long-term business objectives. We strive to follow best management practices for the diversion, conveyance, distribution and use of water. In the future, we intend to continue to provide leadership in the area of, and seek innovation opportunities that promote, increased water use efficiency and the development of new sources of supply for our neighboring communities.

We own oil, gas and mineral rights related to our Ventura County, California properties and in fiscal year 2013 we signed a five-year lease with an oil and gas producer to allow seismic testing on approximately 1,500 acres. In August 2015, the lessee reduced its leased acreage to approximately 30 acres. In 2018, the lease was extended for an additional five years. We will receive a 20% royalty if any oil and gas is extracted.

Item 3. Legal Proceedings

We are from time to time involved in legal proceedings arising in the normal course of business. Other than proceedings incidental to our business, we are not a party to, nor is any of our property the subject of, any material pending legal proceedings, and no such proceedings are, to our knowledge, contemplated by governmental authorities.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is traded on The NASDAQ Stock Market LLC ("NASDAQ") under the symbol "LMNR." There is no assurance that our common stock will continue to be traded on NASDAQ or that any liquidity will exist for our stockholders.

Holders

On December 31, 2019, there were approximately 222 registered holders of our common stock. The number of registered holders includes banks and brokers who act as nominees, each of whom may represent more than one stockholder.

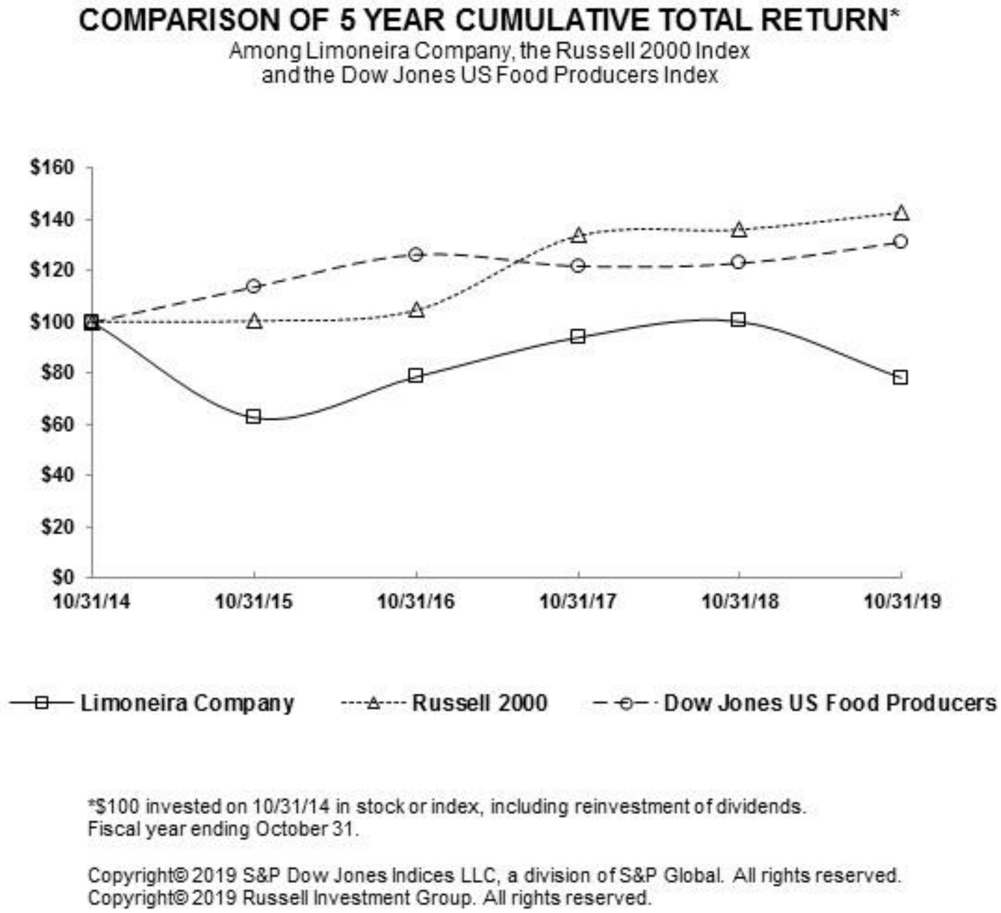
Dividends

The following table presents cash dividends per common share declared and paid in the periods shown.

	Dividend
2019	
Fourth Quarter Ended October 31, 2019	$ 0.0750
Third Quarter Ended July 31, 2019	$ 0.0750
Second Quarter Ended April 30, 2019	$ 0.0750
First Quarter Ended January 31, 2019	$ 0.0750
2018	
Fourth Quarter Ended October 31, 2018	$ 0.0625
Third Quarter Ended July 31, 2018	$ 0.0625
Second Quarter Ended April 30, 2018	$ 0.0625
First Quarter Ended January 31, 2018	$ 0.0625

In December 2018, we increased our quarterly dividend to $0.0750 per common share and we expect to continue to pay quarterly dividends at a similar rate to the extent permitted by the financial results of our business and other factors beyond management's control.

Performance Graph



The line graph above compares the percentage change in cumulative total stockholder return of our common stock registered under section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") with (i) the cumulative total return of the Russell 2000 Index, assuming reinvestment of dividends, and (ii) the cumulative total return of Dow Jones U.S. Food Producers Index, assuming reinvestment of dividends.

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by Issuer and Affiliated Purchasers

During the fourth quarter of fiscal year 2019, we purchased shares of our common stock as follows:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs(2)
August 1, 2019 through August 31, 2019	—	$ —	—	—
September 1, 2019 through September 30, 2019	—	$ —	—	—
October 1, 2019 through October 31, 2019	16,573	$ 18.98	—	—
Total	16,573		—	—

(1) Shares were acquired from our employees in accordance with our stock-based compensation plan as a result of share withholdings to pay income tax related to the vesting and distribution of a restricted stock award.
(2) We currently have no Company repurchase programs in place.

Item 6. Selected Financial Data

The following selected financial data are derived from our audited consolidated financial statements. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," the financial statements and related notes to consolidated financial statements included elsewhere in this Annual Report (in thousands, except per share amounts).

	Fiscal Years Ended October 31,				
	2019	2018	2017	2016	2015
Total net revenues	$ 171,398	$ 129,392	$ 121,309	$ 111,789	$ 100,311
Operating (loss) income	$ (5,514)	$ 9,486	$ 11,863	$ 9,188	$ 4,583
Net (loss) income attributable to Limoneira Company	$ (5,943)	$ 20,188	$ 6,595	$ 8,058	$ 7,082
Basic net (loss) income per common share	$ (0.37)	$ 1.26	$ 0.42	$ 0.52	$ 0.46
Diluted net (loss) income per common share	$ (0.37)	$ 1.25	$ 0.42	$ 0.52	$ 0.46
Total assets	$ 399,867	$ 421,339	$ 339,031	$ 305,448	$ 269,730
Current and long-term debt	$ 108,915	$ 80,093	$ 105,113	$ 90,672	$ 89,668
Convertible preferred stock	$ 10,810	$ 10,810	$ 10,810	$ 12,231	$ 12,281
Cash dividends declared per share of common stock	$ 0.30	$ 0.25	$ 0.22	$ 0.20	$ 0.18

In fiscal year 2019, revenues increased $14.7 million as a result of the Trapani Fresh acquisition and by $8.8 million with the adoption of FASB ASU 2014-09, *Revenue from Contracts with Customers (Topic 606).* In December 2018, we terminated our lease agreement with the Joint Venture who is developing the East Area I real estate development project. As a result, we reduced our sale lease-back deferral and corresponding real estate development by $58,330,000 and reclassified $33,353,000 of our basis in the Joint Venture from real estate development to equity in investments and contributed $4.0 million to the Joint Venture. In May 2019, we acquired a 51% interest in a joint venture, Trapani Fresh, formed with FGF, a multi-generational, family owned citrus operation in Argentina for $15.0 million, which is consolidated.

In June 2018, we completed the sale of 3,136,000 shares of common stock, at a price of $22.00 per share, to institutional and other investors in a registered offering under our shelf registration statement. The gross proceeds of the offering totaled $69.0 million and after an underwriting discount of $4.5 million and other offering expenses of $0.4 million, the net proceeds were $64.1 million. In June and July 2018, we used the offering proceeds to pay down debt, purchase San Pablo ranch for $13.1 million and purchase Oxnard Lemon packinghouse, related land and certain other assets for $25.0 million. In fiscal year 2018, we capitalized approximately $32.7 million of costs related to our East Areas I & II real estate development projects and we contributed $3.5 million to the Joint Venture for our East Area I real estate development project.

In fiscal year 2017, we completed the acquisition of 90% of the outstanding stock of PDA, a privately-owned Chilean corporation, for $5.7 million in cash. PDA also had approximately $1.7 million in long term debt on the acquisition date, which we assumed in the acquisition. We capitalized approximately $7.9 million of costs related to our East Areas I & II real estate development projects, $5.2 million of costs related to orchard development and $1.9 million of costs related to vineyard development. Additionally, we contributed $7.5 million to the Joint Venture for our East Area I real estate development project.

In fiscal year 2016, we capitalized approximately $3.7 million of costs for the expansion of our lemon packing facility, which became operational in March 2016. We purchased the Sheldon Ranch for approximately $15.1 million and capitalized approximately $6.9 million of costs related to our East Areas I & II real estate development projects. Additionally, we capitalized approximately $5.5 million of costs related to orchard development and $1.0 million of costs related to vineyard development.

In fiscal year 2015, we capitalized approximately $15.6 million of costs for the expansion of our lemon packing facility and capitalized approximately $8.0 million of costs related to our East Areas I & II and Windfall Farms real estate development projects. We capitalized approximately $2.7 million of costs in fiscal year 2015 for our agriculture workforce housing project, which was substantially completed in May 2015. Additionally, in February 2015, we purchased $1.2 million of existing lemon trees and irrigation systems on 200 acres of land we lease from Cadiz.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition and results of operations together with "Selected Financial Data" and our consolidated financial statements and notes thereto that appear elsewhere in this Annual Report. This discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions. Actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including, but not limited to, those presented under "Risk Factors" included in Item 1A and elsewhere in this Annual Report.

Overview

Limoneira Company was incorporated in Delaware in 1990 as the successor to several businesses with operations in California since 1893. We are an agribusiness and real estate development company founded and based in Santa Paula, California, committed to responsibly using and managing our approximately 15,700 acres of land, water resources and other assets to maximize long-term stockholder value. Our current operations consist of fruit production, sales and marketing, real estate development and capital investment activities.

We are one of California's oldest citrus growers. According to Sunkist, we are one of the largest growers of lemons in the United States and, according to the California Avocado Commission, one of the largest growers of avocados in the United States. In addition to growing lemons and avocados, we grow oranges and a variety of other specialty citrus and other crops. We have agricultural plantings throughout Ventura, Tulare, San Bernardino and San Luis Obispo Counties in California, Yuma County in Arizona and La Serena, Chile, which collectively consist of approximately 6,200 acres of lemons, 900 acres of avocados, 1,600 acres of oranges and 1,000 acres of specialty citrus and other crops. We also operate our own packinghouses in Santa Paula and Oxnard, California and Yuma, Arizona, where we process and pack lemons that we grow, as well as lemons grown by others. We have a 47% interest in Rosales, a citrus packing, marketing and sales business, a 90% interest in PDA, a lemon and orange orchard and 100% interest in San Pablo, a lemon and orange orchard, all of which are located near La Serena, Chile. We have a 51% interest in a joint venture, Trapani Fresh, a lemon growing, packing, marketing and selling operation in Argentina.

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

For more than 100 years, we have been making strategic investments in California agribusiness and real estate development. We currently have three real estate development projects in California. These projects include multi-family housing and single-family homes comprised of approximately 260 completed rental units and another approximately 1,500 units in various stages of planning and development.

We have three business divisions: agribusiness, rental operations and real estate development. Our agribusiness division is comprised of four reportable segments, fresh lemons, lemon packing, avocados and other agribusiness, and currently generates the majority of our revenue from its farming, harvesting and lemon packing and sales operations; our rental operations division generates revenue from our housing, organic recycling and commercial and leased land operations; and our real estate development division primarily generates revenues from the sale of real estate development projects. From a general view, we see our Company as a land and farming company that generates annual cash flows to support our progress into diversified real estate development activities. As real estate developments are monetized, our agriculture business will then be able to expand more rapidly into new regions and markets.

Recent Developments – Refer to Part I, Item 1 "Fiscal Year 2019 Highlights and Recent Developments"

Results of Operations

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

	Years Ended October 31,					
	2019		2018		2017	
Net revenues:						
Agribusiness	$ 166,549	97%	$ 124,344	96%	$ 115,869	96%
Rental operations	4,849	3%	5,048	4%	5,440	4%
Total net revenues	171,398	100%	129,392	100%	121,309	100%
Costs and expenses:						
Agribusiness	152,372	86%	98,083	83%	91,162	83%
Rental operations	4,311	3%	4,085	3%	3,932	4%
Real estate development	128	—	127	—	285	—
Impairment of real estate development assets	—	—	1,558	1%	120	—
Gain on sale of property	(1,069)	(1)%	—	—	—	—
Selling, general and administrative	21,170	12%	16,053	13%	13,947	13%
Total costs and expenses	176,912	100%	119,906	100%	109,446	100%
Operating (loss) income:						
Agribusiness	14,177		26,261		24,707	
Rental operations	538		963		1,508	
Real estate development	(128)		(1,685)		(405)	
Gain on sale of property	1,069		—		—	
Selling, general and administrative	(21,170)		(16,053)		(13,947)	
Operating (loss) income	(5,514)		9,486		11,863	
Other (expense) income:						
Interest expense, net	(2,134)		(1,122)		(1,778)	
Equity in earnings of investments	3,073		583		49	
(Loss) gain on sale of stock in Calavo Growers, Inc.	(63)		4,223		—	
Net unrealized loss on stock in Calavo Growers, Inc.	(2,054)		—		—	
Other income, net	129		313		492	
Total other (expense) income	(1,049)		3,997		(1,237)	
(Loss) income before income tax benefit (provision)	(6,563)		13,483		10,626	
Income tax benefit (provision)	1,097		6,729		(4,077)	
Net (loss) income	(5,466)		20,212		6,549	
(Income) loss attributable to noncontrolling interest	(477)		(24)		46	
Net (loss) income attributable to Limoneira Company	$ (5,943)		$ 20,188		$ 6,595	

Non-GAAP Financial Measures

Due to significant depreciable assets associated with the nature of our operations and interest costs associated with our capital structure, management believes that earnings before interest, income taxes, depreciation and amortization ("EBITDA") and adjusted EBITDA, which excludes unrealized loss on stock in Calavo, LLCB earnings in equity investment, sale of property assets and impairments on real estate development assets when applicable, is an important measure to evaluate our results of operations between periods on a more comparable basis. Such measurements are not prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and should not be construed as an alternative to reported results determined in accordance with GAAP. The non-GAAP information provided is unique to us and may not be consistent with methodologies used by other companies. EBITDA and adjusted EBITDA are summarized and reconciled to net income attributable to Limoneira Company which management considers to be the most directly comparable financial measure calculated and presented in accordance with GAAP as follows (in thousands):

	Years Ended October 31,		
	2019	2018	2017
Net (loss) income attributable to Limoneira Company	$ (5,943)	$ 20,188	$ 6,595
Interest expense, net	2,134	1,122	1,778
Income tax (benefit) provision	(1,097)	(6,729)	4,077
Depreciation and amortization	8,633	7,275	6,467
EBITDA	3,727	21,856	18,917
Unrealized loss on stock in Calavo Growers, Inc.	2,054	—	—
LLCB earnings in equity investments	(2,870)	—	—
Gain on sale of two property assets	(991)	—	—
Impairments of real estate development assets	—	1,558	120
Adjusted EBITDA	$ 1,920	$ 23,414	$ 19,037

Fiscal Year 2019 Compared to Fiscal Year 2018

Revenues

Total revenues for fiscal year 2019 was $171.4 million compared to $129.4 million for fiscal year 2018. The 32% increase of $42.0 million was primarily the result of increased agribusiness revenues, as detailed below ($ in thousands):

	Agribusiness Revenues for the Years Ended October 31,			
	2019	2018	Change	
Lemons	$ 149,971	$ 103,830	$ 46,141	44%
Avocados	5,391	6,576	(1,185)	(18)%
Navel and Valencia oranges	6,022	8,884	(2,862)	(32)%
Specialty citrus and other crops	5,165	5,054	111	2%
Agribusiness revenues	$ 166,549	$ 124,344	$ 42,205	34%

- Lemons: The increase in fiscal year 2019 was primarily the result of higher volume partially offset by lower prices of fresh lemons sold compared to fiscal year 2018. A portion of the increased revenue was the result of fresh lemon sales of $14.7 million by Trapani Fresh on 746,000 cartons of fresh lemons sold in fiscal year 2019. During fiscal years 2019 and 2018, fresh lemon sales were $110.1 million and $83.9 million, respectively, on 5.2 million and 3.3 million cartons of fresh lemons sold at average per carton prices of $21.00 and $25.42, respectively. Lemon revenues in fiscal year 2019 included $15.6 million shipping and handling, $10.8 million lemon by-products and $13.5 million other lemon sales. Other lemon sales in fiscal year 2019 included $2.9 million of lemon sales in Chile by PDA and San Pablo and $9.5 million of brokered fruit sales, of which $8.8 million is due to the adoption of *FASB ASU 2014-19*. Lemon revenues in fiscal year 2018 included $9.0 million shipping and handling, $4.4 million lemon by-products and $6.5 million other lemon sales. Other lemon sales in fiscal year 2018 included $2.3 million of lemon sales in Chile by PDA and $1.1 million of commissions earned on 912,000 cartons of brokered fruit sales.

- Avocados: The decrease in fiscal year 2019 was the result of lower volume partially offset by higher prices of avocados sold. The California avocado crop typically experiences alternating years of high and low production due to plant physiology. During fiscal years 2019 and 2018, 1.8 million and 6.3 million pounds of avocados were sold, respectively, at average per pound prices of $1.72 and $1.04, respectively. Higher prices in fiscal year 2019 were primarily related to lower supply of fruit in the marketplace. Fiscal year 2019 avocados revenues included approximately $2.3 million of crop insurance.

- Navel and Valencia oranges: The decrease in fiscal year 2019 was primarily due to lower prices partially offset by higher volume of oranges sold. During fiscal years 2019 and 2018, sales consisted of 907,000 and 712,000 40-pound carton equivalents of oranges sold at average per carton prices of $6.64 and $12.48, respectively. Oranges revenues in fiscal year 2019 and 2018 include $0.3 million of orange sales in Chile.

- Specialty citrus and other crops: The slight increase in fiscal year 2019 was primarily the result of higher volume of wine grapes and pistachios sold offset by lower specialty citrus revenues compared to fiscal year 2018. In fiscal year 2019, we sold approximately 1,300 tons of wine grapes for $1.3 million compared to approximately 600 tons of wine grapes for $0.9 million in fiscal year 2018.

Rental operations revenue was $4.8 million in fiscal year 2019 compared to $5.0 million in fiscal year 2018. The decrease in fiscal year 2019 was primarily due to decreased revenues from land leased to third-party agricultural tenants.

Real estate development revenue was zero in both fiscal years 2019 and 2018.

Costs and Expenses

Total costs and expenses for fiscal year 2019 were $176.9 million compared to $119.9 million for fiscal year 2018. This 48% increase of $57.0 million was primarily attributable to increases in our agribusiness, real estate development and selling, general and administrative costs and expenses. Costs associated with our agribusiness division include packing costs, harvest costs, growing costs, costs related to the lemons we procure from third-party growers and depreciation expense. These costs are discussed further below ($ in thousands):

	Agribusiness Costs and Expenses for the Years Ended October 31,			
	2019	2018	Change	
Packing costs	$ 41,018	$ 23,071	$ 17,947	78%
Harvest costs	19,272	13,512	5,760	43%
Growing costs	26,962	23,523	3,439	15%
Third-party grower costs	57,497	31,733	25,764	81%
Depreciation	7,623	6,244	1,379	22%
Agribusiness costs and expenses	$ 152,372	$ 98,083	$ 54,289	55%

- Packing costs: Packing costs consist of the costs to pack lemons for sale such as labor and benefits, cardboard cartons, fruit treatments, packing and shipping supplies and facility operating costs. Lemon packing costs were $37.7 million and $21.4 million in fiscal years 2019 and 2018, respectively. The increase in fiscal year 2019 was primarily attributable to higher average per carton costs and higher volume of fresh lemons packed and sold compared to fiscal year 2018. In fiscal year 2019, we packed and sold 5.2 million cartons of lemons at average per carton costs of $7.20 compared to 3.3 million cartons of lemons sold at average per carton costs of $6.48 in fiscal year 2018. The increase in average per carton costs in fiscal year 2019 compared to fiscal year 2018 is primarily due to increased volume of lemon by-products and $5.8 million of operating costs incurred at the Oxnard Lemon facility. Additionally, packing costs include $3.2 million of shipping costs in fiscal year 2019 compared to $1.7 million in fiscal year 2018.

- Harvest costs: The increase in fiscal year 2019 was primarily attributable to increased volume of lemons and Navel oranges and specialty citrus harvested partially offset by decreased volume of avocados harvested compared to fiscal year 2018.

- Growing costs: Growing costs, also referred to as cultural costs, consist of orchard maintenance costs such as cultivation, fertilization and soil amendments, pest control, pruning and irrigation. The increase in fiscal year 2019 is primarily due to net increased costs for fertilization and soil amendments and pruning in addition to San Pablo and Trapani Fresh growing costs compared to the same period in fiscal year 2018. These net increases reflect farm management decisions based on weather, harvest timing and crop conditions.

- Third-party grower costs: We sell lemons that we grow and lemons that we procure from other growers. The cost of procuring lemons from other growers is referred to as third-party grower costs. The increase is primarily due to higher volume of third-party grower lemons sold. Of the 5.2 million and 3.3 million cartons sold during fiscal years 2019 and 2018, respectively, 3.1 million (60%) and 1.5 million (45%) were procured from third-party growers at average per carton prices of $15.52 and $20.89, respectively. Additionally, in fiscal year 2019 we incurred $9.0 million of costs for purchased, packed fruit for resale compared to $0.4 million in fiscal year 2018.

- Depreciation expense in fiscal year 2019 was $1.4 million higher than fiscal year 2018 primarily due to the acquisitions of San Pablo, Oxnard Lemon and Trapani Fresh and an increase in assets placed into service.

Real estate development expenses for fiscal year 2019 were $0.1 million compared to $1.7 million in fiscal year 2018. Real estate development costs and expenses in fiscal year 2018 include $1.6 million impairment on Pacific Crest and Sevilla real estate development projects. Gain on sales of property for fiscal year 2019 includes $1.1 million for the sale of two properties.

Selling, general and administrative expenses for fiscal year 2019 were $21.2 million compared to $16.1 million for fiscal year 2018. This 32% increase of $5.1 million was primarily attributable to the following:

- $3.2 million in Trapani Fresh selling, general and administrative expenses;
- $0.8 million increase in legal, consulting and other administrative expenses primarily associated with our acquisition of Trapani Fresh in May 2019;
- $0.4 million increase in lemon selling expenses primarily due to an increase in personnel; and
- $0.7 million increase in other selling, general and administrative expenses, including certain corporate overhead expenses.

Other (Expense) Income

Other (expense) income, for fiscal year 2019 was $1.0 million of expense compared to $4.0 million of income for fiscal year 2018. The $5.0 million decrease in income is primarily the result of:

- $1.0 million increase in interest expense as a result of higher debt;
- $2.5 million increase in equity in earnings of investments primarily from LLCB;
- $4.3 million decrease in the gain on sales of stock in Calavo; and
- $2.1 million in unrealized loss on stock in Calavo in fiscal year 2019.

Income Taxes

We recorded an income tax benefit of $1.1 million for fiscal year 2019 on pre-tax loss of $6.6 million compared to an income tax benefit of $6.7 million for fiscal year 2018 on pre-tax income of $13.5 million. Our effective tax rate is 17.1% for fiscal year 2019 compared to an effective tax rate of (49.9)% for fiscal year 2018. Our effective tax rate in fiscal year 2018 was primarily due to the approximate $10.3 million decrease in deferred tax liabilities related to the change in the federal tax rate from the Tax Cuts and Jobs Act of 2017. No such tax rate changes occurred in fiscal year 2019.

Net Income Attributable to Noncontrolling Interest

Net income attributable to noncontrolling interest primarily represents 10% of the net income of PDA and 49% of the net income of Trapani Fresh.

Fiscal Year 2018 Compared to Fiscal Year 2017

Revenues

Total revenues for fiscal year 2018 was $129.4 million compared to $121.3 million for fiscal year 2017. The 7% increase of $8.1 million was primarily the result of increased agribusiness revenues, as detailed below ($ in thousands):

	Agribusiness Revenues for the Years Ended October 31,			
	2018	2017	Change	
Lemons	$ 103,830	$ 94,199	$ 9,631	10%
Avocados	6,576	9,522	(2,946)	(31)%
Navel and Valencia oranges	8,884	7,099	1,785	25%
Specialty citrus and other crops	5,054	5,049	5	—%
Agribusiness revenues	$ 124,344	$ 115,869	$ 8,475	7%

- Lemons: The increase in fiscal year 2018 was primarily the result of higher prices and volume of fresh lemons sold compared to fiscal year 2017. During fiscal years 2018 and 2017, fresh lemon sales were $83.9 million and $76.5 million, respectively, on 3.3 million and 3.2 million cartons of fresh lemons sold at average per carton prices of $25.42 and $23.91, respectively. Lemon revenues in fiscal year 2018 include $9.0 million shipping and handling, $4.4 million lemon by-products and $6.5 million other lemon sales. Other lemon sales in fiscal year 2018 include $2.3 million of lemon sales in Chile by PDA and San Pablo and $1.1 million of commissions earned on 0.9 million cartons of brokered fruit sales. Lemon revenues in fiscal year 2017 include $8.8 million shipping and handling, $5.4 million lemon by-products and $3.5 million other lemon sales. Other lemon sales in fiscal year 2017 include $0.8 million of lemon sales in Chile by PDA and $0.3 million of commissions earned on 0.3 million cartons of brokered fruit sales.

- Avocados: The decrease in fiscal year 2018 was primarily due to lower prices. The California avocado crop typically experiences alternating years of high and low production due to plant physiology. During fiscal years 2018 and 2017, 6.3 million pounds of avocados were sold each year at average per pound prices of $1.04 and $1.51, respectively. Lower prices in fiscal year 2018 are the result of higher supply of imported fruit in the marketplace.

- Navel and Valencia oranges: The increase in fiscal year 2018 was primarily due to higher prices for oranges sold partially offset by lower volume. During fiscal years 2018 and 2017, orange sales were $8.9 million and $7.1 million, respectively, on 712,000 and 893,000 40-pound carton equivalents of oranges sold at average per carton prices of $12.48 and $7.95, respectively. Orange revenues in fiscal year 2018 and 2017 include $0.5 million and $0.3 million, respectively, of orange sales in Chile.

- Specialty citrus and other crops: The slight increase in fiscal year 2018 was primarily the result of higher specialty citrus revenues offset by lower volume of pistachios and wine grapes sold compared to fiscal year 2017. In fiscal year 2018, we sold approximately 600 tons of wine grapes for $0.9 million compared to approximately 800 tons of wine grapes for $1.2 million in fiscal year 2017.

Rental operations revenue was $5.0 million in fiscal year 2018 compared to $5.4 million in fiscal year 2017. The decrease in fiscal year 2018 was primarily due to decreased revenues from land leased to third-party agricultural tenants.

Real estate development revenue was zero in both fiscal years 2018 and 2017.

Costs and Expenses

Total costs and expenses for fiscal year 2018 were $119.9 million compared to $109.4 million for fiscal year 2017. This 10% increase of $10.5 million was primarily attributable to increases in our agribusiness, real estate development and selling, general and administrative costs and expenses. Costs associated with our agribusiness division include packing costs, harvest costs, growing costs, costs related to the lemons we procure from third-party growers and depreciation expense. These costs are discussed further below ($ in thousands):

	Agribusiness Costs and Expenses for the Years Ended October 31,			
	2018	**2017**	**Change**	
Packing costs	$ 23,071	$ 23,778	$ (707)	(3)%
Harvest costs	13,512	13,717	(205)	(1)%
Growing costs	23,523	21,345	2,178	10%
Third-party grower costs	31,733	26,833	4,900	18%
Depreciation	6,244	5,489	755	14%
Agribusiness costs and expenses	$ 98,083	$ 91,162	$ 6,921	8%

- Packing costs: Packing costs consist of the costs to pack lemons for sale such as labor and benefits, cardboard cartons, fruit treatments, packing and shipping supplies and facility operating costs. Lemon packing costs were $21.4 million and $21.6 million in fiscal years 2018 and 2017, respectively. The decrease in fiscal year 2018 was primarily attributable to lower average per carton costs partially offset by higher volume of fresh lemons packed and sold compared to fiscal year 2017. In fiscal year 2018, we packed and sold 3.3 million cartons of lemons at average per carton costs of $6.48 compared to 3.2 million cartons of lemons sold at average per carton costs of $6.75 in fiscal year 2017. Additionally, packing costs include $1.7 million of shipping costs in fiscal year 2018 compared to $1.3 million in fiscal year 2017. Further, in fiscal year 2017 we incurred $2.2 million of packing service charges from an independent packinghouse to have a portion of our oranges and specialty citrus packed in Limoneira branded cartons.

- Harvest costs: The decrease in fiscal year 2018 was primarily attributable to decreased volume of Navel oranges and specialty citrus harvested partially offset by increased volume of lemons harvested compared to fiscal year 2017.

- Growing costs: Growing costs, also referred to as cultural costs, consist of orchard maintenance costs such as cultivation, fertilization and soil amendments, pest control, pruning and irrigation. The increase in fiscal year 2018 is primarily due to net increased costs of $2.2 million for cultivation, fertilization and soil amendments, and irrigation plus San Pablo growing costs compared to the same period in fiscal year 2017. These net increases reflect farm management decisions based on weather, harvest timing and crop conditions.

- Third-party grower costs: We sell lemons that we grow and lemons that we procure from other growers. The cost of procuring lemons from other growers is referred to as third-party grower costs. The increase is primarily due to higher price and volume of third-party grower lemons sold. Of the 3.3 million and 3.2 million cartons sold during fiscal years 2018 and 2017, respectively, 1.5 million (45%) and 1.4 million (44%) were procured from third-party growers at average per carton prices of $20.89 and $19.02, respectively. Additionally, in fiscal year 2018 we incurred $0.4 million of costs for purchased, packed fruit for resale compared to $0.2 million in fiscal year 2017.

- Depreciation expense in fiscal year 2018 was $0.8 million higher than fiscal year 2017 primarily due to the acquisitions of San Pablo and Oxnard Lemon and an increase in assets placed into service.

Real estate development expenses for fiscal year 2018 were $1.7 million compared to $0.4 million in fiscal year 2017. Real estate development costs and expenses in fiscal year 2018 include $1.6 million impairment on our Pacific Crest and Sevilla real estate development projects. Real estate development costs and expenses in fiscal year 2017 include $0.1 million impairment on our Pacific Crest real estate development project.

Selling, general and administrative expenses for fiscal year 2018 were $16.1 million compared to $13.9 million for fiscal year 2017. This 15% increase of $2.1 million was primarily attributable to the following:

- $0.5 million increase in legal, consulting and other administrative expenses primarily associated with our acquisitions in July 2018;
- $0.5 million increase in administrative salaries, benefits and incentive compensation;
- $0.4 million net increase in lemon selling expenses primarily due to an increase in personnel; and
- $0.7 million net increase in other selling, general and administrative expenses, including certain corporate overhead expenses.

Other (Expense) Income

Other (expense) income, for fiscal year 2018 was $4.0 million of income compared to $1.2 million of expense for fiscal year 2017. The $5.2 million increase in income is primarily the result of:

- $0.7 million decrease in net interest expense as a result of lower debt levels;
- $0.5 million increase in equity in earnings of investments primarily from Limco Del Mar, Ltd. and Rosales; and
- $4.2 million gain on the sales of stock in Calavo in fiscal year 2018.

Income Taxes

We recorded an income tax benefit of $6.7 million for fiscal year 2018 on pre-tax income of $13.5 million compared to an income tax provision of $4.1 million for fiscal year 2017 on pre-tax income of $10.6 million. Our effective tax rate is (49.9)% for fiscal year 2018 compared to an effective rate of 38.4% for fiscal year 2017. The decrease in our effective tax rate in fiscal year 2018 is primarily due to the approximately $10.3 million decrease in deferred tax liabilities related to the change in the federal tax rate from the Tax Cuts and Jobs Act of 2017.

Net Income Attributable to Noncontrolling Interest

Net income attributable to noncontrolling interest represents 10% of the net income of PDA.

Segment Results of Operations

We operate in six reportable operating segments: fresh lemons, lemon packing, avocados, other agribusiness, rental operations and real estate development. Our reportable operating segments are strategic business units with different products and services, distribution processes and customer bases. We evaluate the performance of our operating segments separately to monitor the different factors affecting financial results. Each segment is subject to review and evaluations related to current market conditions, market opportunities and available resources. See Note 23 - Segment Information of the notes to consolidated financial statements included in this Annual Report for additional information regarding our operating segments.

Segment information for fiscal year 2019 (in thousands):

	Fresh Lemons (1)	Lemon Packing	Eliminations	Avocados	Other Agribusiness	Total Agribusiness	Rental Operations	Real Estate Development	Corporate and Other	Total
Revenues from external customers	$ 134,342	$ 15,629	$ —	$ 5,391	$ 11,187	$ 166,549	$ 4,849	$ —	$ —	$ 171,398
Intersegment revenues	—	30,073	(30,073)	—	—	—	—	—	—	—
Total net revenues	134,342	45,702	(30,073)	5,391	11,187	166,549	4,849	—	—	171,398
Costs and expenses	120,998	37,639	(30,073)	3,150	13,035	144,749	3,552	128	19,850	168,279
Depreciation and amortization	—	—	—	—	—	7,623	759	—	251	8,633
Operating income (loss)	$ 13,344	$ 8,063	$ —	$ 2,241	$ (1,848)	$ 14,177	$ 538	$ (128)	$ (20,101)	$ (5,514)

Segment information for fiscal year 2018 (in thousands):

	Fresh Lemons	Lemon Packing	Eliminations	Avocados	Other Agribusiness	Total Agribusiness	Rental Operations	Real Estate Development	Corporate and Other	Total
Revenues from external customers	$ 94,840	$ 8,990	$ —	$ 6,576	$ 13,938	$ 124,344	$ 5,048	$ —	$ —	$ 129,392
Intersegment revenues	—	19,971	(19,971)	—	—	—	—	—	—	—
Total net revenues	94,840	28,961	(19,971)	6,576	13,938	124,344	5,048	—		129,392
Costs and expenses	74,809	23,071	(19,971)	4,399	9,531	91,839	3,307	1,685	15,800	112,631
Depreciation and amortization	—	—	—	—	—	6,244	778	—	253	7,275
Operating income	$ 20,031	$ 5,890	$ —	$ 2,177	$ 4,407	$ 26,261	$ 963	$ (1,685)	$ (16,053)	$ 9,486

Segment information for fiscal year 2017 (in thousands):

	Fresh Lemons	Lemon Packing	Eliminations	Avocados	Other Agribusiness	Total Agribusiness	Rental Operations	Real Estate Development	Corporate and Other	Total
Revenues from external customers	$ 85,439	$ 8,760	$ —	$ 9,522	$ 12,148	$ 115,869	$ 5,440	$ —	$ —	$ 121,309
Intersegment revenues	—	19,156	(19,156)	—	—	—	—	—	—	—
Total net revenues	85,439	27,916	(19,156)	9,522	12,148	115,869	5,440	—		121,309
Costs and expenses	67,414	21,567	(19,156)	4,136	11,712	85,673	3,170	405	13,731	102,979
Depreciation and amortization	—	—	—	—	—	5,489	762	—	216	6,467
Operating income	$ 18,025	$ 6,349	$ —	$ 5,386	$ 436	$ 24,707	$ 1,508	$ (405)	$ (13,947)	$ 11,863

(1) During the first quarter of fiscal 2019, we adopted a comprehensive new revenue recognition standard using a modified retrospective method that does not restate prior periods to be comparable to the current period presentation. The adoption of this guidance primarily impacted the presentation of certain brokered fruit sales revenue received and the related cost of fruit incurred by us. The adoption of this guidance resulted in additional revenue and costs and expenses within our fresh lemon segment of $8.8 million, respectively, during the fiscal year 2019. Refer to Note 2 - Summary of Significant Accounting Policies for more information regarding the impact from the adoption of this new standard.

Fiscal Year 2019 Compared to Fiscal Year 2018

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

Fresh Lemons

Fresh lemons segment revenue is comprised of sales of fresh lemons, lemon by-products and other lemon revenue such as purchased, packed fruit for resale. For fiscal year 2019, our fresh lemons segment revenue was $134.3 million compared to $94.8 million for fiscal year 2018, a 42% increase of $39.5 million, primarily the result of higher volume and Trapani Fresh revenue of fresh lemons sold, partially offset by lower prices of fresh lemons sold, as discussed earlier.

Costs and expenses associated with our fresh lemons segment include harvest costs, growing costs, cost of fruit we procure from third-party growers and packing service charges incurred from the lemon packing segment to pack lemons for sale. For fiscal year 2019, our fresh lemon costs and expenses were $121.0 million compared to $74.8 million for fiscal year 2018. The 62% increase of $46.2 million primarily consisted of the following:

- Harvest costs for fiscal year 2019 were $5.6 million higher than fiscal year 2018.
- Growing costs for fiscal year 2019 were $1.3 million higher than fiscal year 2018.
- Third-party grower costs for fiscal year 2019 were $25.8 million higher than fiscal year 2018.
- Transportation costs for fiscal year 2019 were $3.3 million higher than fiscal year 2018.
- Intersegment costs and expenses for fiscal year 2019 were $10.1 million higher than fiscal year 2018.

Lemon Packing

Lemon packing segment revenue is comprised of intersegment packing revenue and shipping and handling revenue. For fiscal year 2019, our lemon packing segment revenue was $45.7 million compared to $29.0 million for fiscal year 2018, a 58% increase of $16.7 million primarily due to increased volume of lemons packed and increased shipping and handling revenues.

Costs and expenses associated with our lemon packing segment consist of the cost to pack lemons for sale such as labor and benefits, cardboard cartons, fruit treatments, packing and shipping supplies and facility operating costs. For fiscal year 2019, our lemon packing costs and expenses were $37.6 million compared to $23.1 million for fiscal year 2018. The 63% increase of $14.6 million was primarily due to increased volume of lemons packed and increased shipping costs.

Lemon packing segment operating income per carton sold was $1.54 and $1.78 for fiscal years 2019 and 2018, respectively.

The lemon packing segment included $30.1 million and $20.0 million of intersegment revenues for fiscal years 2019 and 2018, respectively, that are charged to the fresh lemons segment to pack lemons for sale. Such intersegment revenues and expenses are eliminated in our consolidated financial statements.

Avocados

For fiscal year 2019, our avocados segment revenue was $5.4 million compared to $6.6 million for fiscal year 2018, a 18% decrease of $1.2 million.

Costs and expenses associated with our avocados segment include harvest costs and growing costs. For fiscal year 2019, our avocado costs and expenses were $3.2 million compared to $4.4 million for fiscal year 2018. The 28% decrease of $1.2 million primarily consisted of the following:

- Avocado harvest costs for fiscal year 2019 were $0.8 million lower than fiscal year 2018.
- Growing costs for fiscal year 2019 were $0.5 million lower than fiscal year 2018.

Other Agribusiness

For fiscal year 2019, our other agribusiness segment revenue was $11.2 million compared to $13.9 million for fiscal year 2018. The 20% decrease of $2.8 million primarily consisted of the following:

- Navel and Valencia orange revenue in fiscal year 2019 was $2.9 million lower than fiscal year 2018.
- Specialty citrus and other crop revenue for fiscal year 2019 was $0.1 million higher than fiscal year 2018.

Costs and expenses associated with our other agribusiness segment include harvest and growing costs. Our other agribusiness costs and expenses for fiscal year 2019 were $13.0 million compared to $9.5 million for fiscal year 2018. The 37% increase of $3.5 million primarily consisted of the following:

- Harvest costs for fiscal year 2019 were $0.6 million higher than fiscal year 2018.
- Growing costs for fiscal year 2019 were $2.9 million higher than fiscal year 2018.

Fresh lemons, lemon packing, avocados and other agribusiness depreciation and amortization for fiscal year 2019 were $7.6 million compared to $6.2 million in fiscal year 2018. The 22% increase of $1.4 million was primarily due to the acquisitions of San Pablo, Oxnard Lemon and Trapani Fresh and an increase in assets placed into service.

Rental Operations

Our rental operations segment had revenues of approximately $4.8 million and $5.0 million in fiscal years 2019 and 2018, respectively. The $0.2 million decrease in fiscal year 2019 was primarily due to decreased revenues from land leased to third-party agricultural tenants.

Costs and expenses in our rental operations segment were approximately $4.3 million and $4.1 million in fiscal years 2019 and 2018, respectively. Depreciation expense was similar in fiscal year 2019 compared to fiscal year 2018 at $0.8 million.

Real Estate Development

Our real estate development segment had revenues of zero for both fiscal years 2019 and 2018.

Costs and expenses in our real estate development segment were approximately $0.1 million and $1.7 million in fiscal years 2019 and 2018, respectively. We recorded no impairment charge in fiscal year 2019 compared to $1.6 million in fiscal year 2018.

Additionally, in fiscal year 2019 we sold two properties and recognized a gain on sales of property of approximately $1.1 million.

Selling, general and administrative expenses

Selling, general and administrative expenses include corporate and other costs and expenses not allocated to the operating segments. Selling, general and administrative expenses for fiscal year 2019 were $5.1 million higher than fiscal year 2018.

Fiscal Year 2018 Compared to Fiscal Year 2017

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

Fresh Lemons

Fresh lemons segment revenue is comprised of sales of fresh lemons, lemon by-products and other lemon revenue such as brokerage commissions. For fiscal year 2018, our fresh lemons segment revenue was $94.8 million compared to $85.4 million for fiscal year 2017, an 11% increase of $9.4 million, primarily due to higher price and volume of fresh lemons sold, as discussed earlier.

Costs and expenses associated with our fresh lemons segment include harvest costs, growing costs, cost of fruit we procure from third-party growers and packing service charges incurred from the lemon packing segment to pack lemons for sale. For fiscal year 2018, our fresh lemon costs and expenses were $74.8 million compared to $67.4 million for fiscal year 2017. The 11% increase of $7.4 million primarily consisted of the following:

- Harvest costs for fiscal year 2018 were $0.2 million higher than fiscal year 2017.
- Growing costs for fiscal year 2018 were $1.5 million higher than fiscal year 2017.
- Third-party grower costs for fiscal year 2018 were $4.9 million higher than fiscal year 2017.
- Intersegment costs and expenses for fiscal year 2018 were $0.8 million higher than fiscal year 2017.

Lemon Packing

Lemon packing segment revenue is comprised of intersegment packing revenue and shipping and handling revenue. For fiscal year 2018, our lemon packing segment revenue was $29.0 million compared to $27.9 million for fiscal year 2017, a 4% increase of $1.0 million primarily due to increased volume of lemons packed and increased shipping and handling revenues.

Costs and expenses associated with our lemon packing segment consist of the cost to pack lemons for sale such as labor and benefits, cardboard cartons, fruit treatments, packing and shipping supplies and facility operating costs. For fiscal year 2018, our lemon packing costs and expenses were $23.1 million compared to $21.6 million for fiscal year 2017. The 7% increase of $1.5 million was primarily due to increased volume of lemons packed and increased shipping costs.

Lemon packing segment operating income per carton sold was $1.78 and $1.98 for fiscal years 2018 and 2017, respectively.

The lemon packing segment included $20.0 million and $19.2 million of intersegment revenues for fiscal years 2018 and 2017, respectively, that are charged to the fresh lemons segment to pack lemons for sale. Such intersegment revenues and expenses are eliminated in our consolidated financial statements.

Avocados

For fiscal year 2018, our avocados segment revenue was $6.6 million compared to $9.5 million for fiscal year 2017, a 31% decrease of $2.9 million.

Costs and expenses associated with our avocados segment include harvest costs and growing costs. For fiscal year 2018, our avocado costs and expenses were $4.4 million compared to $4.1 million for fiscal year 2017. The 6% increase of $0.3 million primarily consisted of the following:

- Avocado harvest costs for fiscal year 2018 were similar to fiscal year 2017.
- Growing costs for fiscal year 2018 were $0.3 million higher than fiscal year 2017.

Other Agribusiness

For fiscal year 2018, our other agribusiness segment revenue was $13.9 million compared to $12.1 million for fiscal year 2017. The 15% increase of $1.8 million primarily consisted of the following:

- Navel and Valencia orange revenue in fiscal year 2018 was $1.8 million higher than in fiscal year 2017.
- Specialty citrus and other crop revenue for fiscal year 2018 was similar to fiscal year 2017.

Costs and expenses associated with our other agribusiness segment include harvest and growing costs. Our other agribusiness costs and expenses for fiscal year 2018 were $9.5 million compared to $11.7 million for fiscal year 2017. The 19% decrease of $2.2 million primarily consisted of the following:

- Orange and specialty citrus packing service charges for fiscal year 2018 were zero compared to $2.2 million in fiscal year 2017. In fiscal year 2017, we contracted with an independent packinghouse to pack a portion of our oranges and specialty citrus in Limoneira branded cartons.
- Harvest costs for fiscal year 2018 were $0.4 million lower than fiscal year 2017.
- Growing costs for fiscal year 2018 were $0.4 million higher than fiscal year 2017.

Fresh lemons, lemon packing, avocados and other agribusiness depreciation and amortization for fiscal year 2018 were $6.2 million compared to $5.5 million in fiscal year 2017. The 14% increase of $0.8 million was primarily due to the acquisitions of San Pablo and Oxnard Lemon and an increase in assets placed into service.

Rental Operations

Our rental operations segment had revenues of approximately $5.0 million and $5.4 million in fiscal years 2018 and 2017, respectively. The $0.4 million decrease in fiscal year 2018 was primarily due to decreased revenues from land leased to third-party agricultural tenants.

Costs and expenses in our rental operations segment were approximately $4.1 million and $3.9 million in fiscal years 2018 and 2017, respectively. Depreciation expense was similar in fiscal year 2018 compared to fiscal year 2017 at $0.8 million.

Real Estate Development

Our real estate development segment had revenues of zero for both fiscal years 2018 and 2017.

Costs and expenses in our real estate development segment were approximately $1.7 million and $0.4 million in fiscal years 2018 and 2017, respectively. We recorded impairment charges of $1.6 million in fiscal year 2018 compared to $0.1 million in fiscal year 2017.

Selling, general and administrative expenses

Selling, general and administrative expenses include corporate and other costs and expenses not allocated to the operating segments. Selling, general and administrative expenses for fiscal year 2018 were $2.1 million higher than fiscal year 2017.

Quarterly Results of Operations

The following table presents our operating results for each of the fiscal quarters in the periods ended October 31, 2019 and October 31, 2018, respectively (in thousands, except per share amounts). The information for each of these quarters is derived from our unaudited interim financial statements and should be read in conjunction with the audited consolidated financial statements included in this Annual Report. All necessary adjustments, which consist only of normal and recurring accruals, have been included to fairly present our unaudited quarterly results. As with any agribusiness enterprise, our agribusiness operations are highly seasonal in nature. The harvest and sale of our lemons, avocados, oranges and specialty citrus and other crops occurs in all quarters, but is generally more concentrated during the third quarter.

	Three Months Ended 2019			
Statement of Operations Data:	**Oct. 31,**	**Jul. 31,**	**Apr. 30,**	**Jan. 31,**
Revenues	$ 36,476	$ 50,869	$ 42,035	$ 42,018
Costs and expenses	40,083	48,751	43,040	45,038
Operating (loss) income	(3,607)	2,118	(1,005)	(3,020)
Other (loss) income, net	(487)	(2,054)	4,909	(3,417)
(Loss) income before income tax benefit (provision)	(4,094)	64	3,904	(6,437)
Income tax benefit (provision)	881	(461)	(1,084)	1,761
Net (loss) income	(3,213)	(397)	2,820	(4,676)
Loss (income) attributable to noncontrolling interest	138	(593)	(5)	(17)
Net (loss) income attributable to Limoneira Company	$ (3,075)	$ (990)	$ 2,815	$ (4,693)
Net (loss) income per common share:				
Basic	$ (0.18)	$ (0.06)	$ 0.15	$ (0.28)
Diluted	$ (0.18)	$ (0.06)	$ 0.15	$ (0.28)
Number of shares used in per common share computations:				
Basic	17,597	17,554	17,554	17,488
Diluted	17,597	17,554	18,225	17,488

	Three Months Ended 2018			
Statement of Operations Data:	**Oct. 31,**	**Jul. 31,**	**Apr. 30,**	**Jan. 31,**
Revenues	$ 14,714	$ 39,950	$ 43,135	$ 31,593
Costs and expenses	24,295	28,525	33,755	33,331
Operating (loss) income	(9,581)	11,425	9,380	(1,738)
Other income (loss), net	4,728	(111)	(394)	(226)
(Loss) income before income tax benefit (provision)	(4,853)	11,314	8,986	(1,964)
Income tax benefit (provision)	1,636	(3,114)	(2,380)	10,587
Net (loss) income	(3,217)	8,200	6,606	8,623
(Income) loss attributable to noncontrolling interest	(20)	1	(7)	2
Net (loss) income attributable to Limoneira Company	$ (3,237)	$ 8,201	$ 6,599	$ 8,625
Net (loss) income per common share:				
Basic	(0.19)	0.51	0.45	0.59
Diluted	(0.19)	0.50	0.44	0.58
Number of shares used in per common share computations:				
Basic	17,528	15,947	14,379	14,466
Diluted	17,528	16,551	15,023	14,984

The following information compares our fourth quarter ended October 31, 2019 to the fourth quarter ended October 31, 2018. Information concerning comparisons of our first, second and third quarters can be found in our quarterly reports on Form 10-Q.

- Total revenues increased $21.8 million in the three months ended October 31, 2019 compared to the three months ended October 31, 2018 primarily due to increased lemon and orange crop revenues of $16.9 million and $1.9 million, respectively, in addition to $2.3 million in avocado crop insurance revenue. During the fourth quarter of fiscal year 2019, we sold 793,000 cartons of fresh lemons, including 498,000 cartons procured from third-party growers, at an average per carton price of $21.46, compared to 239,000 cartons of fresh lemons, including 150,000 cartons procured from third party growers, at an average per carton price of $29.71 in the fourth quarter of fiscal year 2018. The increase in orange revenues in the fourth quarter of fiscal year 2019 compared to the fourth quarter of fiscal year 2018 was primarily due to higher brokered fruit sales.

- Total costs and expenses increased $15.8 million in the three months ended October 31, 2019 compared to the three months ended October 31, 2018 primarily due to increases in agribusiness costs of $16.2 million. The increase in agribusiness costs is primarily due to increased third-party grower, packinghouse and harvest costs and expenses of $10.1 million, $3.9 million and $1.9 million, respectively. These costs increased primarily due to higher volume of lemon cartons packed and sold and the acquisitions of Oxnard Lemon and Trapani Fresh.

- Total other income decreased $5.2 million in the three months ended October 31, 2019 compared to the three months ended October 31, 2018 primarily due to the $4.2 million gain on the sale of stock in Calavo in fiscal year 2018.

- Income tax benefit decreased $0.8 million in the three months ended October 31, 2019 compared to the three months ended October 31, 2018 primarily due to the decrease in pre-tax loss of $0.8 million.

Liquidity and Capital Resources

Overview

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

Cash Flows from Operating Activities

For the fiscal years ended October 31, 2019, 2018 and 2017, net cash provided by operating activities was $1.4 million, $18.4 million and $18.5 million, respectively. The significant components of our cash flows provided by operating activities are as follows:

- Net (loss) income was $(5.5) million, $20.2 million and $6.5 million for fiscal years 2019, 2018 and 2017, respectively. The components of net income in fiscal year 2019 compared to fiscal year 2018 consist of a decrease in operating income of $15.0 million, an increase in total other expense of $5.0 million and a decrease in income tax benefit of $5.6 million. The components of net income in fiscal year 2018 compared to fiscal year 2017 consist of a decrease in operating income of $2.3 million, an increase in total other income of $5.2 million and an increase in income tax benefit of $10.8 million.

- The adjustments to reconcile net (loss) income to net cash provided from operating activities provided $7.8 million of cash in fiscal year 2019 compared to using $1.4 million of cash in fiscal year 2018 primarily due to an increase in gain from disposals of assets, a decrease in deferred taxes, a decrease in loss on sale of stock in Calavo and an increase in unrealized loss on stock in Calavo. The adjustments to reconcile net income to net cash provided from operating activities used $1.4 million in cash in fiscal year 2018 compared to providing $11.2 million of cash in fiscal year 2017 primarily due to a decrease in deferred taxes and an increase in loss on sale of stock in Calavo.

- The changes in operating assets and liabilities, net of business combinations used $1.0 million of operating cash in fiscal year 2019 compared to using $0.4 million of operating cash in fiscal year 2018, primarily due to a decrease in cultural costs, an increase in prepaid expenses and other current assets, a net increase in accounts and growers payable and a decrease in accrued liabilities. The changes in operating assets and liabilities, net of business combinations used $0.4 million of operating cash in fiscal year 2018 compared to providing $0.7 million of operating cash in fiscal year 2017, primarily due to an increase in accounts receivable, an increase in cultural costs, an increase in income taxes receivable and an increase in accrued liabilities.

Cash Flows from Investing Activities

For the years ended October 31, 2019, 2018 and 2017, net cash used in investing activities was $23.7 million, $50.8 million and $26.4 million, respectively, and is primarily comprised of capital expenditures, business acquisitions, sales of assets and investments.

- Capital expenditures for fiscal year 2019 were comprised of $14.1 million for property, plant and equipment primarily related to orchard and vineyard development and the purchase of a photovoltaic solar array and $1.8 million for real estate development projects. Additionally, in fiscal year 2019, we purchased an agriculture property for $0.4 million, contributed $4.0 million to the Joint Venture for the development of our East Area I real estate development project and paid $15.0 million for the Trapani Fresh joint venture formation in Argentina. Further, we sold 50,000 shares of stock in Calavo for $4.8 million and sold property assets and a real estate development parcel for $4.0 million and $2.9 million, respectively.

- Capital expenditures for fiscal year 2018 were comprised of $12.2 million for property, plant and equipment primarily related to orchard and vineyard development and $1.7 million for real estate development projects. Additionally, in fiscal year 2018, we purchased San Pablo for $13.1 million, Oxnard Lemon for $25.0 million, a real estate development parcel for $1.4 million and contributed $3.5 million to the Joint Venture for the development of our East Area I real estate development project. Further, we sold 50,000 shares of stock in Calavo for $4.7 million and a real estate development parcel for $1.5 million.

- Capital expenditures for fiscal year 2017 were comprised of $11.6 million for property, plant and equipment primarily related to orchard and vineyard development and $1.3 million for real estate development projects. Additionally, in fiscal year 2017, we purchased PDA for $5.7 million and contributed $7.5 million to the Joint Venture for the development of our East Area I real estate development project.

Cash Flows from Financing Activities

For the years ended October 31, 2019, 2018 and 2017 net cash provided by financing activities was $22.4 million, $32.5 million and $8.4 million, respectively.

- The $22.4 million of cash provided by financing activities for fiscal year 2019 is primarily comprised of net borrowings of long-term debt in the amount of $28.9 million. Additionally, we paid common and preferred dividends, in aggregate, of $5.8 million in fiscal year 2019.

- The $32.5 million of cash provided by financing activities for fiscal year 2018 is primarily comprised of net proceeds from our public offering of common stock of $64.1 million partially offset by net repayments of long-term debt in the amount of $26.4 million. Additionally, we paid common and preferred dividends, in aggregate, of $4.5 million in fiscal year 2018.

- The $8.4 million of cash provided by financing activities for fiscal year 2017 is primarily comprised of net borrowings of long-term debt in the amount of $12.5 million partially offset by common and preferred dividends, in aggregate, of $3.7 million in fiscal year 2017.

Transactions Affecting Liquidity and Capital Resources

On September 26, 2019, the Company and Farm Credit West, FLCA ("Farm Credit West") entered into Rate Lock Agreements ("Rate Lock Agreements") which fixed the interest rates effective October 1, 2019 for term loans noted below. Conversion Agreements were also signed as of October 1, 2019 documenting the key terms of the modified lending arrangements. No changes were made to the outstanding principal balances on the loans and no cash repayments of principal were made by us. The rates are subject to a prepayment restriction period for a portion of the fixed rate term that will expire on March 1, 2020, after which we may prepay any amounts without penalty. We paid and capitalized debt financing costs of $35,000 related to the Rate Lock Agreements.

On June 20, 2017, we entered into a Master Loan Agreement (the “Loan Agreement”) with Farm Credit West which includes a Revolving Credit Supplement and a Non-Revolving Credit Supplement (the “Supplements”). Proceeds from the Supplements were used to pay down all the remaining outstanding indebtedness under the revolving credit facility we had with Rabobank, N.A. On January 29, 2018 we amended the Revolving Credit Supplement to increase the borrowing capacity from $60.0 million to $75.0 million. The Supplements provide aggregate borrowing capacity of $115.0 million comprised of $75.0 million under the Revolving Credit Supplement and $40.0 million under the Non-Revolving Credit Supplement. The borrowing capacity based on collateral value was $115.0 million at October 31, 2019.

All indebtedness under the Loan Agreement, including any indebtedness under the Supplements, is secured by a first lien on certain of our agricultural properties in Tulare and Ventura counties in California and certain of our building fixtures and improvements and investments in mutual water companies associated with the pledged agricultural properties. The Loan Agreement includes customary default provisions that provide that should an event of default occur, Farm Credit West, at its option, may declare all or any portion of the indebtedness under the Loan Agreement to be immediately due and payable without demand, notice of non-payment, protest or prior recourse to collateral, and terminate or suspend our right to draw or request funds on any loan or line of credit.

The Loan Agreement subjects us to affirmative and restrictive covenants including, among other customary covenants, financial reporting requirements, requirements to maintain and repair any collateral, restrictions on the sale of assets, restrictions on the use of proceeds, prohibitions on the incurrence of additional debt and restrictions on the purchase or sale of major assets of our business. We are also subject to a covenant that we will maintain a debt service coverage ratio greater than 1.25:1.0 measured annually at October 31. We were not in compliance with covenants at October 31, 2019, but the non-compliance was waived by Farm Credit West and Wells Fargo. We expect to be in compliance with these covenants in fiscal year 2020.

We finance our working capital and other liquidity requirements primarily through cash from operations and our Farm Credit West Credit Facility. In addition, we have the Farm Credit West Term Loans, the Wells Fargo Term Loan and the Banco de Chile term loan. Additional information regarding the Farm Credit West Credit Facility, the Farm Credit West Term Loans, the Wells Fargo Term Loan, the Banco de Chile term loan and the note payable can be found in the notes to consolidated financial statements included in this Annual Report.

We believe that the cash flows from operations and available borrowing capacity from our existing credit facilities will be sufficient to satisfy our capital expenditures, debt service, working capital needs and other contractual obligations for fiscal year 2020. In addition, we have the ability to control a portion of our investing cash flows to the extent necessary based on our liquidity demands.

Farm Credit West Credit Facility

As of October 31, 2019, our outstanding borrowings under the Farm Credit West Credit Facility were $82.8 million and we had $32.2 million of availability. The Farm Credit West revolving line of credit balance of $42.8 million currently bears interest at a variable rate equal to the one-month LIBOR plus 1.60%. The interest rate resets on the first of each month and was 3.90% at October 31, 2019. We have the ability to prepay any amounts outstanding under the Farm Credit West revolving line of credit without penalty. We have the option of fixing the interest rate under the Farm Credit West Credit Facility on any portion of outstanding borrowings using interest rate swaps.

Farm Credit West Term Loans

As of October 31, 2019, we had an aggregate of approximately $18.5 million outstanding under Farm Credit West Term Loans, which are further discussed here:

- *Term Loan Maturing November 2022.* As of October 31, 2019, we had $2.0 million outstanding under the Farm Credit West Term Loan that matures in November 2022. On October 1, 2019, the term loan was converted to a fixed rate of 3.76% and is payable in quarterly installments through November 2022. This term loan is secured by certain of our agricultural properties.

- *Term Loan Maturing October 2035.* As of October 31, 2019, Windfall had $1.1 million outstanding under the Farm Credit West Term Loan that matures in October 2035. On October 1, 2019, the term loan was converted to a fixed rate of 4.14% and is payable in monthly installments through October 2035. This term loan is secured by the Windfall Farms property.

- *Term Loan Maturing March 2036.* As of October 31, 2019, we had $8.8 million outstanding under the Farm Credit West Term Loan that matures in March 2036. On October 1, 2019, the term loan was converted to a fixed rate of 4.17% and is payable in monthly installments through March 2036. This term loan is secured by certain of our agricultural properties.

- *Term Loan Maturing March 2036.* As of October 31, 2019, we had $6.5 million outstanding under the Farm Credit West Term Loan that matures in March 2036. This loan bears interest at a fixed rate of 3.62% until March 2021, becoming variable for the remainder of the loan at a variable rate equal to an internally calculated rate based on Farm Credit West's internal monthly operations and their cost of funds and generally follows the changes in the 90-day treasury rates in increments divisible by 0.25%. This term loan is payable in monthly installments through March 2036 and is secured by certain of our agricultural properties.

The Farm Credit West Term Loans contain various conditions, covenants and requirements with which our Company and Windfall must comply. In addition, our Company and Windfall are subject to limitations on, among other things, selling, abandoning or ceasing business operations; merging or consolidating with a third party; disposing of a substantial portion of assets by sale, transfer, gifts or lease except for inventory sales in the ordinary course of business; obtaining credit or loans from other lenders other than trade credit customary in the business; becoming a guarantor or surety on or otherwise liable for the debts or obligations of a third party; and mortgaging, pledging, leasing for over a year, or otherwise making or allowing the filing of a lien on any collateral.

Wells Fargo Term Loan

As of October 31, 2019, we had $5.0 million outstanding under the Wells Fargo Term Loan. This term loan bears interest at a fixed rate of 3.58% and is payable in monthly installments through January 2023. The loan is secured by certain equipment associated with our new lemon packing facilities. The loan contains affirmative and restrictive covenants including, among other customary covenants, financial reporting requirements, requirements to maintain and repair any collateral, restrictions on the sale of assets, restrictions on the use of proceeds, prohibitions on the incurrence of additional debt and restrictions on the purchase or sale of major assets. The Company is also subject to a covenant that it will maintain a debt service coverage ratio greater than 1.25:1.0 measured annually at October 31, with which we were not in compliance at October 31, 2019. The non-compliance was waived by Wells Fargo. We expect to be in compliance with these covenants in fiscal year 2020.

Banco de Chile Term Loan

Through the acquisition of PDA in February 2017, we assumed a $1.7 million term loan with Banco de Chile that matures in January 2025. This term loan bears interest at a fixed rate of 6.48% and is payable in eight annual installments which began in January 2018. This loan is unsecured and contains certain pre-payment limitations.

Note Payable

In February 2018, we exercised an option to purchase a 7-acre parcel adjacent to our East Area II real estate development project. In connection with this purchase, we issued a note payable for $1.4 million secured by first deed of trust, payable to the sellers. The note is due in February 2023, with interest-only, monthly payments at interest rates ranging from 5.0% to 7.0% and was 5.5% at October 31, 2019.

Public Offering of Common Stock

In June 2018, we completed the sale of an aggregate of 3,136,000 shares of our common stock, at a price of $22.00 per share, to a limited number of institutional and other investors in a registered offering under the shelf registration statement. The offering represented 18% of our outstanding common stock on an after-issued basis as of June 25, 2018. Upon completion of the offering and issuance of common stock, we had 17,669,000 shares of common stock outstanding. The net proceeds from the sale of shares, after deducting underwriting discounts and our expenses related to the offering, were approximately $64.1 million. In June and July 2018, we used the offering proceeds to pay down debt, purchase San Pablo ranch and purchase Oxnard Lemon's packinghouse, related land and certain other assets.

Interest Rate Swaps

From time to time we enter into interest rate swap agreements to manage the risks and costs associated with our financing activities.

Our debt bears interest at fixed and variable rates, ranging from 3.58% to 6.48% at October 31, 2019. As of October 31, 2019 and 2018, we had no outstanding interest rate swap agreements.

Real Estate Development Activities and Related Capital Resources

As noted under "Transactions Affecting Liquidity and Capital Resources," we have the ability to control a portion of our investing cash flows to the extent necessary based upon our liquidity demands. In order for our real estate development operations to reach their maximum potential benefit to us, however, we will need to be successful over time in identifying other third party sources of capital to partner with us to move those development projects forward. While we are frequently in discussions with potential external sources of capital in respect to all of our development projects, current market conditions for California real estate projects, while improving, continue to be challenging and make it difficult to predict the timing and amounts of future capital that will be required to complete the development of our projects.

On November 10, 2015, we entered into the Joint Venture with Lewis for the residential development of our East Area I real estate development project. To consummate the transaction, we formed LLCB as the development entity, contributed our East Area I property to the Joint Venture and sold a 50% interest in the Joint Venture to Lewis for $20.0 million. We expect to receive approximately $100.0 million from the Joint Venture over the estimated 7 to 10-year life of the project. The Joint Venture partners will share in capital contributions to fund project costs until loan proceeds and or revenues are sufficient to fund the project. These funding requirements are currently estimated to total $15.0 to $20.0 million for each Joint Venture partner in the first three to four years of the project and we funded $4.0 million in fiscal year 2019, $3.5 million in fiscal year 2018, and $7.5 million in fiscal year 2017. We also entered into a lease agreement with the Joint Venture to lease back a portion of the contributed property, which allowed us to continue farming the property during the phased build-out of the project. We terminated this lease in December 2018. We are planning approximately 632 units in Phase 1 of the project. Grading began in November 2017. The Joint Venture received lot deposits from national homebuilders in fiscal year 2018 and initial lot sales representing a total of 210 residential units closed in fiscal year 2019. The Joint Venture closed an additional 33 lots in the first quarter of fiscal year 2020.

Trend Information

Agribusiness Division

The worldwide fresh produce industry has historically enjoyed consistent underlying demand and favorable growth dynamics. In recent years, the market for fresh produce has increased faster than the rate of population growth, supported by ongoing trends including greater consumer demand for healthy, fresh and convenient foods, increased retailer square footage devoted to fresh produce, and greater emphasis on fresh produce as a differentiating factor in attracting customers. Health-conscious consumers are driving much of the growth in demand for fresh produce. Over the past several decades, the benefits of natural, preservative-free and organic foods have become an increasingly significant element of the public dialogue on health and nutrition. As a result, consumption of fresh fruit and vegetables has markedly increased.

According to the USDA, U.S. per capita consumption of fresh lemons was 4.2 pounds in 2018, and since 2000, has averaged 3.3 pounds per capita versus 2.7 pounds per capita in the 1990s. Approximately 72% of the California crop has gone into the fresh market in the past decade. The fresh market is significantly more profitable than the processed market and the amount of production sold in the fresh market is referred to as fresh utilization. Our fresh utilization has historically been comparable to the California industry average and we expect that our fresh utilization will increase due to increased flexibility to sell lemons directly to food service wholesale and retail customers and increased customer interaction resulting from our direct lemon sales strategy.

According to the USDA, U.S. per capita consumption of avocados was 8.0 pounds in 2018, and since 2000, has averaged 4.7 pounds per capita versus 1.6 pounds per capita in the 1990's. A growing Hispanic population, an increasing awareness of healthier foods and the acceptance of mono-unsaturated fats has helped to spur demand for avocados. California is the largest U.S. producer of avocados producing approximately 87% of the nation's avocados. According to the California Avocado Commission, the 2019 crop produced approximately 217 million pounds compared to 338 million pounds in 2018, 215 million pounds in 2017 and the ten year average of 355 million pounds.

Navel oranges comprise most of California's orange crop, accounting for approximately 80% over the past three growing seasons. Valencia oranges account for a vast majority of the remainder of California's orange crop. While California produces approximately 40% of the nation's oranges, its crop accounts for approximately 90% of those going to the fresh market. The share of California's crop going to fresh market, as opposed to the processed market (i.e., juices, oils and essences) varies by season, depending on the quality of the crop.

Real Estate Development Division

We believe the residential real estate market is recovering in the locations that we own real estate development property following the well-known economic downturn of the recent past. We incurred impairment charges on one of our real estate development projects in fiscal years 2018 and 2017 and future impairment is possible. No impairment charges were recorded in fiscal year 2019. Due to these factors, we anticipate maintaining a cautious and patient perspective with respect to our real estate development activities. However, interest rates are also at historically low levels, which provide a favorable buying opportunity for potential home buyers. Additionally, we believe that our real estate development properties have certain unique characteristics and are located in desirable locations, particularly East Area I, and as economic or real estate market conditions improve or other factors arise, we will take advantage of such opportunities to develop our properties.

Contractual Obligations and Off-Balance Sheet Arrangements

The following table presents our contractual obligations at October 31, 2019 for which cash flows are fixed and determinable (in thousands):

	Payments due by Period				
	Total	< 1 year	1-3 years	3-5 years	5+ years
Fixed rate debt (principal)	$ 64,799	$ 3,023	$ 46,200	$ 2,534	$ 13,042
Variable rate debt (principal)	44,278	—	42,843	1,435	—
Operating lease obligations	3,141	688	783	288	1,382
Other	1,029	325	650	54	—
Total contractual obligations	$ 113,247	$ 4,036	$ 90,476	$ 4,311	$ 14,424
Interest payments on fixed and variable rate debt	$ 20,238	$ 4,650	$ 9,043	$ 1,450	$ 5,095

We believe that the cash flows from operations and borrowing capacity from existing and available credit facilities will be sufficient to satisfy our future capital expenditure, debt service, working capital and other contractual obligations for fiscal year 2020. In addition, we have the ability to control a portion of our investing cash flows to the extent necessary based on our liquidity demands.

Fixed Rate and Variable Rate Debt

Details of amounts included in long-term debt can be found above and in the accompanying notes to consolidated financial statements included in this Annual Report. The table above assumes that long-term debt is held to maturity.

Interest Payments on Fixed and Variable Debt

The above table assumes that our fixed rate and long-term debt is held to maturity and the interest rates on our variable rate debt remain unchanged for the remaining life of the debt from those in effect at October 31, 2019.

Preferred Stock Dividends

In 1997, in connection with the acquisition of Ronald Michaelis Ranches, Inc., we issued 30,000 shares of Series B Convertible Preferred Stock at $100 par value (the "Series B Stock"), of which 14,790 shares are currently outstanding. The holders of the Series B Stock are 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 and totaled $0.1 million, $0.1 million and $0.2 million for fiscal years 2019, 2018 and 2017, respectively.

In 2014, we issued, in aggregate, 9,300 shares of Series B-2 Preferred Stock at $100 par value (the “Series B-2 Preferred Stock”). The holders of the Series B-2 Preferred Stock are entitled to receive cumulative cash dividends at an annual rate of 4% of the liquidation value of $1,000 per share. Such dividends are payable quarterly on the first day of January, April, July and October in each year and totaled $0.4 million in each of the fiscal years 2019, 2018 and 2017, respectively.

Defined Benefit Pension Plan

We have a noncontributory, defined benefit, single employer pension plan (the “Plan”), which provides retirement benefits for all eligible employees of the Company. Effective June 2004, the Company froze the Plan and no additional benefits accrued to participants subsequent to that date. We may make discretionary contributions to the Plan and we may be required to make contributions to adhere to applicable regulatory funding provisions, based in part on the Plan’s asset valuations and underlying actuarial assumptions. We made funding contributions of $0.6 million, $0.6 million and $0.7 million in fiscal years 2019, 2018 and 2017, respectively and we plan to contribute approximately $0.6 million to the Plan in fiscal year 2020.

Operating Lease Obligations

We have numerous operating lease commitments with remaining terms ranging from less than one year to eighteen years.

In October 2018, the Company purchased a 1,000 KW photovoltaic generator for $1,125,000 that was previously under a 10-year operating lease agreement with Farm Credit West. In December 2018, the Company purchased another 1,000 KW photovoltaic generator for $1,275,000 that was previously under a 10-year operating lease agreement with Farm Credit West.

We lease machinery and equipment for our packing operations and other land for our agricultural operations under leases with annual lease commitments that are individually immaterial.

Real Estate Development Activities, Capital Expenditures and Related Capital Resources

On November 10, 2015 (the “Transaction Date”), we entered into the Joint Venture with Lewis for the residential development of our East Area I real estate development project. To consummate the transaction, we formed LLCB as the development entity, contributed our East Area I property to the Joint Venture and sold a 50% interest in the Joint Venture to Lewis for $20.0 million.

The Joint Venture agreement provides that Lewis will serve as the manager of the Joint Venture with the right to manage, control and conduct its day-to-day business and development activities. Certain major decisions, which are enumerated in the Joint Venture agreement, require approval by an executive committee comprised of two representatives appointed by Lewis and two representatives appointed by Limoneira.

Pursuant to the Joint Venture agreement, the Joint Venture will own, develop, subdivide, entitle, maintain, improve, hold for investment, market and dispose of the Joint Venture’s property in accordance with the business plan and budget approved by the executive committee.

Further, on the Transaction Date, the Joint Venture and Limoneira entered into a lease agreement (the "Lease Agreement"), pursuant to which the Joint Venture leased certain of the contributed East Area I property back to Limoneira for continuation of agricultural operations, and certain other permitted uses, on the property until the Joint Venture required the property for development. Limoneira terminated this Lease Agreement per the agreement in fiscal year 2019.

Limoneira and the Joint Venture entity also entered into a Retained Property Development Agreement on the Transaction Date (the "Retained Property Agreement"). Under the terms of the Retained Property Agreement, the Joint Venture will transfer certain contributed East Area I property, which is entitled for commercial development, back to Limoneira (the "Retained Property") and arrange for the design and construction of certain improvements to the Retained Property, subject to certain reimbursements by Limoneira. In August 2018, the Retained Property was transferred back to Limoneira.

We expect to receive approximately $100.0 million from the Joint Venture over the estimated 6 to 9-year life of the project including $20.0 million received on the consummation of the Joint Venture. The Joint Venture partners will share in capital contributions to fund project costs until project loan proceeds and or revenues are sufficient to fund the project. These funding requirements are currently estimated to total $15.0 to $20.0 million for each Joint Venture partner in the first three to four years of the project. We funded $4.0 million, $3.5 million and $7.5 million in fiscal years 2019, 2018 and 2017, respectively.

In January 2018, the Joint Venture entered into a $45.0 million unsecured Line of Credit Loan Agreement and Promissory Note (the “Loan”) with Bank of America, N.A. to fund early development activities. The Loan matures in January 2020, with an option to extend the maturity date until 2021, subject to certain conditions. The interest rate on the Loan is LIBOR plus 2.85%, payable monthly. The Loan contains certain customary default provisions and the Joint Venture may prepay any amounts outstanding under the Loan without penalty. In February 2018, the obligations under the Loan were guaranteed by certain principals from Lewis and by the Company. The Joint Venture recorded a $43.2 million outstanding loan balance at October 31, 2019 related to this Loan.

As noted above under "Transactions Affecting Liquidity and Capital Resources," we have the ability to control the timing of a portion of our investing cash flows to the extent necessary based upon our liquidity demands. In order for our real estate development operations to reach their maximum potential benefit to our Company, however, we will need to be successful over time in identifying other third-party sources of capital to partner with us to move those development projects forward. While we are frequently engaged in discussions with several external sources of capital in respect of all of our development projects, current market conditions for California real estate projects, while improving, continue to be challenging and make it difficult to predict the timing and amounts of future capital that will be required to complete the development of our projects.

Off-Balance Sheet Arrangements

As discussed in Note 7 – Real Estate Development and Note 8 – Equity in Investments of the notes to consolidated financial statements included in this Annual Report, we have investments in joint ventures and partnerships that are accounted for using the equity method of accounting.

Inflation

Historically, inflation has not had a material effect on our results of operations. However, significant increases in inflation, including in Argentina, could have an adverse impact on our business, financial condition and results of operations.

Critical Accounting Policies

The preparation of our consolidated financial statements in accordance with GAAP requires us to develop critical accounting policies and make certain estimates and judgments that may affect the reported amounts of assets, liabilities, revenues and expenses. We base our estimates and judgments on historical experience, available relevant data and other information that we believe to be reasonable under the circumstances. Actual results may materially differ from these estimates under different assumptions or conditions as new or additional information become available in future periods. We believe the following critical accounting policies reflect our more significant estimates and judgments used in the preparation of our consolidated financial statements.

Revenue Recognition - On November 1, 2018, we adopted FASB *ASU 2014-09, Revenue from Contracts with Customers (Topic 606)*, that amends the guidance for the recognition of revenue from contracts with customers. The results for the reporting period beginning after November 1, 2018 are presented in accordance with the new standard which was adopted using the modified-retrospective method and applied to those contracts that were not completed as of November 1, 2018. There was no net effect of applying the standard and therefore no cumulative adjustment to retained earnings was necessary at the date of initial application. As a result, comparative information has not been restated and the results for the reporting periods before November 1, 2018 continue to be reported under the accounting standards and policies in effect for those periods.

The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps:

- Identify the contract(s) with a customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contract.
- Recognize revenue when (or as) the entity satisfies a performance obligation.

We determined the appropriate method by which we recognize revenue by analyzing the nature of the products or services being provided as well as the terms and conditions of contracts or arrangements entered into with its customers. We account for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. A contract's transaction price is allocated to each distinct good or service (i.e., performance obligation) identified in the contract and each performance obligation is valued based on its estimated relative standalone selling price.

We recognize the majority of its revenue at a point in time when it satisfies a performance obligation and transfers control of the product to the respective customer. The amount of revenue that is recognized is based on the transaction price, which represents the invoiced amount and includes estimates of variable consideration such as allowances for estimated customer discounts or concessions, where applicable. The amount of variable consideration included in the transaction price may be constrained and is included only to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognized under the contract will not occur in a future period.

Upon adoption, we changed the accounting of certain brokered fruit sales. Under previous guidance, we were considered an agent and recorded revenues for certain brokered fruit sales and the costs of such fruit on a net basis in its consolidated statement of operations. Under the new revenue recognition standard, we are considered a principal in the transaction and revenues are recorded on a gross basis in the Company's consolidated statement of operations with the related cost of such fruit included in agribusiness costs and expenses. This change resulted in the recognition of additional agribusiness revenue and agribusiness costs and expenses within the fresh lemons segment of $8,827,000 for the year ended October 31, 2019. Had we used the previous revenue recognition guidance, the Company would have recorded insignificant net agribusiness revenue for these transactions for the year ended October 31, 2019. No cumulative adjustment to retained earnings was necessary as there is no net effect to the consolidated statement of operations.

Agribusiness revenue - Revenue from lemon sales is generally recognized at a point in time when the customer takes control of the fruit from the Company's packinghouse, which aligns with the transfer of title to the customer. We have elected to treat any shipping and handling costs incurred after control of the goods has been transferred to the customer as agribusiness costs.

Our avocados, oranges, specialty citrus and other specialty crops are packed and sold by Calavo and other third-party packinghouses. We deliver all of our avocado production from our orchards to Calavo. These avocados are then packed by Calavo at its packinghouse and sold and distributed under Calavo brands to its customers primarily in the United States and Canada. Our Company's arrangements with other third-party packinghouses related to its oranges, specialty citrus and other specialty crops are similar to its arrangement with Calavo. Our arrangements with our third-party packinghouses are such that we are the producer and supplier of the product and the third-party packinghouses are our customers.

The revenues we recognize related to the fruits sold to the third-party packinghouses are based on the volume and quality of the fruits delivered, the market price for such fruit, less the packinghouses' charges to pack and market the fruit. Such packinghouse charges include the grading, sizing, packing, cooling, ripening and marketing of the related fruit. We control the product until it is delivered to the third-party packinghouses at which time control of the product is transferred to the third-party packinghouses and revenue is recognized. Such third-party packinghouse charges are recorded as a reduction of revenue as they are not for distinct services. The identifiable benefit we receive from the third-party packinghouses for packaging and marketing services cannot be sufficiently separated from the third-party packinghouses' purchase of our products. In addition, we are not able to reasonably estimate the fair value of the benefit received from the third-party packinghouses for such services and as such, these costs are characterized as a reduction of revenue in the Company's consolidated statements of operations.

Revenue from the sales of certain of our agricultural products is recorded based on estimated proceeds provided by certain of the our sales and marketing partners (Calavo and other third-party packinghouses) due to the time between when the product is delivered by us and the closing of the pools for such fruits at the end of each month or harvest period. Calavo and other third-party packinghouses are agricultural cooperatives or function in a similar manner as an agricultural cooperative. We estimate the variable consideration using the most likely amount method, with the most likely amount being the quantities actually shipped extended by the prices reported by Calavo and other third-party packinghouses. Revenue is recognized at time of delivery to the packinghouses relating to fruits that are in pools that have not yet closed at month end if: (a) the related fruits have been delivered to and accepted by Calavo and other third-party packinghouses (i.e., Calavo and other third-party packinghouses obtain control) and (b) sales price information has been provided by Calavo and other third-party packinghouses (based on the marketplace activity for the related fruit) to estimate with reasonable certainty the final selling price for the fruit upon the closing of the pools. In such instances we have the present right to payment and Calavo and other third-party packinghouses have the present right to direct the use of, and obtain substantially all of the remaining benefits from, the delivered fruit. We do not expect that there is a high likelihood that a significant reversal in the amount of cumulative revenue recognized in the early periods of the pool will occur once the final pool prices have been reported by the packinghouses. Historically, the revenue that is recorded based on the sales price information provided to the Company by Calavo and other third-party packinghouses at the time of delivery, have not materially differed from the actual amounts that are paid after the monthly or harvest period pools are closed.

We have entered into brokerage arrangements with third-party international packinghouses. In certain of these arrangements, we have the exclusive ability to direct the use of and obtains substantially all of the remaining benefits from the fruit, and therefore is acting as a principal. As such, we record the related revenue and costs of the fruit gross in the consolidated statement of operations.

Revenue from crop insurance proceeds is recorded when the amount can be reasonably determined and upon establishment of the present right to payment. We recorded agribusiness revenues from crop insurance proceeds of $2.3 million, $0.1 million and $0.1 million in fiscal years 2019, 2018 and 2017, respectively.

Rental Operations Revenue - Minimum rental 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 received by us and are based on fees collected by the lessee. Such revenues are recognized when actual results, based on collected fees reported by the tenant, are received. Our rental arrangements generally require payment on a monthly or quarterly basis.

Real Estate Development Revenue - We recognize revenue on real estate development projects with customers at a point in time (i.e., the closing) when we satisfy the single performance obligation and transfers control of such real estate to a buyer. The transaction price, which is the amount of consideration we receive upon delivery of the completed real estate to the buyer, is allocated to this single obligation and is received at closing. Real estate development projects with non-customers are accounted for in accordance with Accounting Standards Code ("ASC") 610-20, *Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets.*

Incidental operations may occur during the holding or development period of real estate development projects to reduce holding or development costs. Incremental revenue from incidental operations in excess of incremental costs from incidental operations is accounted for as a reduction of development costs. Incremental costs from incidental operations in excess of incremental revenue from incidental operations are charged to operations.

Real Estate Development Costs - We capitalize the planning, entitlement, construction and development costs and interest associated with our various real estate projects. Costs that are not capitalized, which include property maintenance and repairs, general and administrative and marketing expenses, are expensed as incurred. A real estate development project is considered substantially complete upon the cessation of construction and development activities. Once a project is substantially completed, future costs are expensed as incurred. For fiscal year 2019, we capitalized approximately $1.8 million of costs related to our real estate projects and expensed approximately $0.1 million of costs.

Foreign Currency Translation **-** PDA and San Pablo's functional currency is the Chilean Peso. Their balance sheets are translated to U.S. dollars at exchange rates in effect at the balance sheet date and their income statements are translated at average exchange rates during the reporting period. The resulting foreign currency translation adjustments are recorded as a separate component of accumulated other comprehensive income. Trapani Fresh's functional currency is the U.S. Dollar.

Income Taxes - Deferred income tax assets and liabilities are computed annually for differences between the financial statement and income tax basis 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.

Business Combinations and Asset Acquisitions - Business Combinations are accounted for under the acquisition method in accordance with ASC 805, *Business Combinations*. The acquisition method requires identifiable assets acquired and liabilities assumed and any noncontrolling interest in the business acquired be recognized and measured at fair value on the acquisition date, which is the date that the acquirer obtains control of the acquired business. The amount by which the fair value of consideration transferred as the purchase price exceeds the net fair value of assets acquired and liabilities assumed is recorded as goodwill. Acquisitions that do not meet the definition of a business under the ASC are accounted for as asset acquisitions. Asset acquisitions are accounted for by allocating the cost of the acquisition to the individual assets acquired and liabilities assumed on a relative fair value basis. Goodwill is not recognized in an asset acquisition with any consideration in excess of net assets acquired allocated to acquired assets on a relative fair value basis. Transaction costs are expensed in a business combination and are considered a component of the cost of the acquisition in an asset acquisition.

Impairment of Long-Lived Assets - We evaluate our long-lived assets including our real estate development projects, for impairment when events or changes in circumstances indicate the carrying value of these assets may not be recoverable. As a result of various factors, in recent years, we recorded impairment charges of $1.6 million and $0.1 million in fiscal years 2018 and 2017, respectively. There were no impairment charges recorded in fiscal year 2019.

Defined Benefit Retirement Plan - As discussed in the notes to our consolidated financial statements, we sponsor a defined benefit retirement plan that was frozen in June 2004, and no future benefits have been accrued to participants subsequent to that time. Ongoing accounting for this plan under FASB ASC 715, *Compensation – Retirement Benefits,* provides guidance as to, among other things, future estimated pension expense, pension liability and minimum funding requirements. This information is provided to us by third-party actuarial consultants. In developing this data, certain estimates and assumptions are used, including among other things, discount rate, long-term rate of return and mortality tables.

During 2019, the Society of Actuaries (SOA) released a new mortality improvement scale table, referred to as MP-2019, which is believed to better reflect mortality improvements and is to be used in calculating defined benefit pension obligations. In addition, during fiscal year 2019, the assumed discount rate to measure the pension obligation decreased to 3.0%. We used the latest mortality tables released by the SOA through October 2019 to measure our pension obligation as of October 31, 2019 and combined with the assumed discount rate and other demographic assumptions, our pension liability increased by approximately $0.6 million as of October 31, 2019. Further changes in any of these estimates could materially affect the amounts recorded that are related to our defined benefit retirement plan.

Recent Accounting Pronouncements

See Note 2, "Summary of Significant Accounting Policies" of the notes to consolidated financial statements included in this Annual Report for information concerning recent accounting pronouncements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

Borrowings under the Farm Credit West Credit Facility and Farm Credit West Term Loans are or will be subject to variable interest rates. These variable interest rates subject us to the risk of increased interest costs associated with any upward movements in interest rates. For the Farm Credit West Credit Facility and Farm Credit West Term Loans, our borrowing interest rate is an internally calculated rate based on Farm Credit West's internal monthly operations and their cost of funds and generally follows the changes in the 90-day treasury rates in increments divisible by 0.25%. At October 31, 2019, our total debt outstanding under the Farm Credit West Credit Facility and the Farm Credit West Term Loans was $82.8 million and $18.5 million, respectively.

From time to time we enter into interest rate swap agreements to manage risks and costs associated with our financing activities.

Based on our level of borrowings at October 31, 2019 a 100 basis points increase in interest rates would increase our interest expense $0.4 million for fiscal year 2019 and an annual average of $0.3 million for the three subsequent fiscal years. Additionally, a 100 basis points increase in the interest rate would decrease our net income by $0.3 million for fiscal year 2019 and an annual average of $0.2 million for the three subsequent fiscal years. Refer to the "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources" for additional information.

Item 8. Financial Statements and Supplementary Data

Limoneira Company

Index to Consolidated Financial Statements

All schedules are omitted for the reason that they are not applicable or the required information is included in the Consolidated Financial Statements or the notes thereto.

Management's Report on Internal Control over Financial Reporting

Management of Limoneira Company (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in the Exchange Act Rule 13a-15(f). Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management, including the principal executive officer and principal financial officer, conducted an evaluation of the effectiveness of Limoneira Company's internal control over financial reporting, based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on this evaluation, management concluded that internal control over financial reporting was effective as of October 31, 2019. Deloitte & Touche LLP, an independent registered public accounting firm, has audited the effectiveness of the Company's internal control over financial reporting and has issued a report on internal control over financial reporting, which is included herein.

The Company's management excluded Trapani Fresh which was acquired as a business combination on May 30, 2019, from its assessment and management's report on internal control over financial reporting at October 31, 2019, as they continue to evaluate their respective internal controls. Trapani Fresh's total assets and total revenues represent 9% and 9%, respectively, of its related consolidated financial statement amounts as of and for the year ended October 31, 2019. This exclusion is in accordance with the general guidance issued by the Staff of the Securities and Exchange Commission that an assessment of a recent business combination may be omitted from management's report on internal control over financial reporting in the first year of consolidation.

Harold S. Edwards
President and Chief Executive Officer

Mark Palamountain
Chief Financial Officer, Treasurer and Corporate Secretary

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of Limoneira Company

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Limoneira Company and subsidiaries (the "Company") as of October 31, 2019, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of October 31, 2019, based on criteria established in Internal Control - Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended October 31, 2019, of the Company and our report dated January 13, 2020, expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding the Company's adoption of Accounting Standards Update ("ASU") No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities, and the adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606).

As described in Management's Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Trapani Fresh, which was acquired on May 30, 2019, and whose financial statements constitute 9% of total assets and 9% of revenues, of the consolidated financial statement amounts as of and for the year ended October 31, 2019. Accordingly, our audit did not include the internal control over financial reporting at Trapani Fresh.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Los Angeles, California
January 13, 2020

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of Limoneira Company

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Limoneira Company and subsidiaries (the "Company") as of October 31, 2019, the related consolidated statement of operations, the consolidated statement of comprehensive (loss) income, the consolidated statement of stockholders' equity and temporary equity, and the consolidated statement of cash flows, for the year ended October 31, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, based on our audit and the report of the other auditors, the financial statements present fairly, in all material respects, the financial position of the Company as of October 31, 2019, and the results of its operations and its cash flows for the year ended October 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Limoneira Lewis Community Builders, LLC ("LLCB"), the Company's investment which is accounted for by use of the equity method. The accompanying financial statements of the Company include its equity investment in LLCB of $42,722,000 as of October 31, 2019, and its equity earnings in LLCB of $4,368,000 for the year ended October 31, 2019. The financial statements of LLCB were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for LLCB, is based solely on the report of the other auditors.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of October 31, 2019, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated January 13, 2020, expressed an unqualified opinion on the Company's internal control over financial reporting based on our audit.

Change in Accounting Principles

As discussed in Note 2 to the financial statements, the Company has changed its method of accounting for certain equity investments by recognizing the change in fair value in net income effective November 1, 2018 due to the adoption of Accounting Standards Update ("ASU") No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities.

As discussed in Note 2 to the financial statements, the Company has changed its method of accounting for revenue from contracts with customers effective November 1, 2018 due to adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), using the modified retrospective approach.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

We have served as the Company's auditor since 2019.

Los Angeles, California
January 13, 2020

Report of Independent Registered Public Accounting Firm

The Stockholders and Board of Directors of Limoneira Company

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Limoneira Company (the Company) as of October 31, 2018, and the related consolidated statements of operations, comprehensive income, stockholders' equity and temporary equity, and cash flows for each of the two years in the period ended October 31, 2018, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at October 31, 2018, and the results of its operations and its cash flows for each of the two years in the period ended October 31, 2018, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We served as the Company's auditor from 2006 to 2018.

Los Angeles, California
January 14, 2019

LIMONEIRA COMPANY

CONSOLIDATED BALANCE SHEETS ($ in thousands, except share amounts)

	October 31, 2019	October 31, 2018
Assets		
Current assets:		
Cash	$ 616	$ 609
Accounts receivable, net	18,099	14,116
Cultural costs	7,223	5,413
Prepaid expenses and other current assets	8,153	10,528
Income taxes receivable	979	378
Total current assets	35,070	31,044
Property, plant and equipment, net	248,114	225,681
Real estate development	17,602	107,162
Equity in investments	58,223	18,698
Investment in Calavo Growers, Inc.	17,346	24,250
Goodwill	1,839	1,431
Other intangible assets, net	12,407	6,225
Other assets	9,266	6,848
Total assets	$ 399,867	$ 421,339
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 4,974	$ 6,134
Growers payable	14,500	10,089
Accrued liabilities	9,167	7,724
Current portion of long-term debt	3,023	3,127
Total current liabilities	31,664	27,074
Long-term liabilities:		
Long-term debt, less current portion	105,892	76,966
Deferred income taxes	24,346	25,372
Other long-term liabilities	5,467	3,647
Sale-leaseback deferral	—	58,330
Total liabilities	167,369	191,389
Commitments and contingencies	—	—
Series B Convertible Preferred Stock – $100.00 par value (50,000 shares authorized: 14,790 shares issued and outstanding at October 31, 2019 and 2018) (8.75% coupon rate)	1,479	1,479
Series B-2 Convertible Preferred Stock – $100.00 par value (10,000 shares authorized: 9,300 shares issued and outstanding at October 31, 2019 and 2018) (4% dividend rate on liquidation value of $1,000 per share)	9,331	9,331
Stockholders' equity:		
Series A Junior Participating Preferred Stock – $0.01 par value (20,000 shares authorized: zero issued or outstanding at October 31, 2019 and 2018)	—	—
Common Stock – $0.01 par value (39,000,000 shares authorized: 17,756,180 and 17,647,135 shares issued and outstanding at October 31, 2019 and 2018, respectively)	178	176
Additional paid-in capital	160,254	159,071
Retained earnings	53,089	50,354
Accumulated other comprehensive (loss) income	(7,255)	8,965
Noncontrolling interest	15,422	574
Total stockholders' equity	221,688	219,140
Total Liabilities and Stockholders' Equity	$ 399,867	$ 421,339

See Notes to Consolidated Financial Statements.

LIMONEIRA COMPANY

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

	Years Ended October 31,		
	2019	2018	2017
Net revenues:			
Agribusiness	$ 166,549	$ 124,344	$ 115,869
Rental operations	4,849	5,048	5,440
Total net revenues	171,398	129,392	121,309
Costs and expenses:			
Agribusiness	152,372	98,083	91,162
Rental operations	4,311	4,085	3,932
Real estate development	128	127	285
Impairment of real estate development assets	—	1,558	120
Gain on sale of property assets	(1,069)	—	—
Selling, general and administrative	21,170	16,053	13,947
Total costs and expenses	176,912	119,906	109,446
Operating (loss) income	(5,514)	9,486	11,863
Other (expense) income:			
Interest expense, net	(2,134)	(1,122)	(1,778)
Equity in earnings of investments	3,073	583	49
(Loss) gain on sale of stock in Calavo Growers, Inc.	(63)	4,223	—
Net unrealized loss on stock in Calavo Growers, Inc.	(2,054)	—	—
Other income, net	129	313	492
Total other (expense) income	(1,049)	3,997	(1,237)
(Loss) income before income tax benefit (provision)	(6,563)	13,483	10,626
Income tax benefit (provision)	1,097	6,729	(4,077)
Net (loss) income	(5,466)	20,212	6,549
(Income) loss attributable to noncontrolling interest	(477)	(24)	46
Net (loss) income attributable to Limoneira Company	(5,943)	20,188	6,595
Preferred dividends	(501)	(501)	(560)
Net (loss) income applicable to common stock	$ (6,444)	$ 19,687	$ 6,035
Basic net (loss) income per common share	$ (0.37)	$ 1.26	$ 0.42
Diluted net (loss) income per common share	$ (0.37)	$ 1.25	$ 0.42
Weighted-average common shares outstanding-basic	17,580,000	15,581,000	14,315,000
Weighted-average common shares outstanding-diluted	17,580,000	16,209,000	14,315,000

See Notes to Consolidated Financial Statements.

LIMONEIRA COMPANY

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

	Years Ended October 31,		
	2019	2018	2017
Net (loss) income	$ (5,466)	$ 20,212	$ 6,549
Other comprehensive (loss) income, net of tax:			
Foreign currency translation adjustments	(1,103)	(1,255)	2
Minimum pension liability adjustments, net of tax of $(252), $415 and $767	(607)	1,137	1,175
Unrealized holding gains on security available for sale, net of tax of $0, $1,956 and $1,722	—	4,809	2,643
Reclassification of unrealized gain on security sold, net of tax of $0, $(1,160) and $0	—	(2,965)	—
Unrealized gains from derivative instruments, net of tax of $0, $79 and $330	—	163	553
Total other comprehensive (loss) income, net of tax	(1,710)	1,889	4,373
Comprehensive (loss) income	(7,176)	22,101	10,922
Comprehensive loss (income) attributable to noncontrolling interest	438	(13)	46
Comprehensive (loss) income attributable to Limoneira Company	$ (6,738)	$ 22,088	$ 10,968

See Notes to Consolidated Financial Statements.

LIMONEIRA COMPANY

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

	Stockholders' Equity							Temporary Equity	
	Common Stock		Additional Paid-In	Retained	Accumulated Other Comprehensive	Noncontrolling		Series B Preferre d	Series B-2 Preferred
	Shares	Amount	Capital	Earnings	Income (Loss)	Interest	Total	Stock	Stock
Balance at October 31, 2016	14,178,226	$ 142	$ 91,841	$ 31,812	$ 2,703	$ —	$ 126,498	$ 2,900	$ 9,331
Dividends - common ($0.22 per share)	—	—	—	(3,155)	—	—	(3,155)	—	—
Dividends - Series B ($8.75 per share)	—	—	—	(188)	—	—	(188)	—	—
Dividends - Series B-2 ($40 per share)	—	—	—	(372)		—	(372)	—	—
Stock compensation	63,954	1	1,327	—	—	—	1,328	—	—
Exchange of common stock	(14,773)	—	(294)	—	—	—	(294)	—	—
Conversion of Series B preferred stock	177,624	1	1,420	—	—	—	1,421	(1,421)	—
Acquired noncontrolling interest	—	—	—	—	—	633	633	—	—
Net income	—	—	—	6,595	—	(46)	6,549	—	—
Other comprehensive income, net of tax	—	—	—	—	4,373	—	4,373	—	—
Balance at October 31, 2017	14,405,031	144	94,294	34,692	7,076	587	136,793	1,479	9,331
Dividends - common ($0.25 per share)	—	—	—	(4,025)	—	—	(4,025)	—	—
Dividends - Series B ($8.75 per share)	—	—	—	(129)	—	—	(129)	—	—
Dividends - Series B-2 ($40 per share)	—	—	—	(372)	—	—	(372)	—	—
Stock compensation	145,324	1	1,367	—	—	—	1,368	—	—
Exchange of common stock	(39,582)	—	(656)	—	—	—	(656)	—	—
Issuance of common stock	3,136,362	31	64,066	—	—	—	64,097	—	—
Noncontrolling interest	—	—	—	—	—	(37)	(37)	—	—
Net income	—	—	—	20,188	—	24	20,212	—	—
Other comprehensive income, net of tax	—	—	—	—	1,889	—	1,889	—	—
Balance at October 31, 2018	17,647,135	176	159,071	50,354	8,965	574	219,140	1,479	9,331
Dividends - common ($0.30 per share)	—	—	—	(5,331)	—	—	(5,331)	—	—
Dividends - Series B ($8.75 per share)	—	—	—	(129)	—	—	(129)	—	—
Dividends - Series B-2 ($40 per share)	—	—	—	(372)	—	—	(372)	—	—
Stock compensation	145,737	2	1,789	—	—	—	1,791	—	—
Exchange of common stock	(36,692)	—	(606)	—	—	—	(606)	—	—
Acquired noncontrolling interest	—	—	—	—	—	14,410	14,410	—	—
Net income	—	—	—	(5,943)	—	477	(5,466)	—	—
Other comprehensive income, net of tax	—	—	—	—	(1,710)	(39)	(1,749)	—	—
Reclassification of unrealized gain on marketable securities upon adoption of ASU 2016-01	—	—	—	15,921	(15,921)		—	—	—
Reclassification upon adoption of ASU 2018-02	—	—	—	(1,411)	1,411		—	—	—
Balance at October 31, 2019	17,756,180	$ 178	$ 160,254	$ 53,089	$ (7,255)	$ 15,422	$ 221,688	$ 1,479	$ 9,331

See Notes to Consolidated Financial Statements

LIMONEIRA COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ended October 31,		
	2019	2018	2017
Operating activities			
Net (loss) income	$ (5,466)	$ 20,212	$ 6,549
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	8,633	7,275	6,467
Impairment of real estate development assets	—	1,558	120
(Gain) loss on disposals of assets	(664)	178	300
Gain on sales of real estate development assets	(405)	(25)	—
Stock compensation expense	1,791	1,368	1,328
Equity in earnings of investments	(3,073)	(583)	(49)
Cash distributions from equity investments	351	526	712
Deferred income taxes	(773)	(7,307)	2,292
Amortization of deferred financing costs	30	30	90
Accrued interest on note receivable	(198)	(192)	(23)
Loss (gain) on sale of stock in Calavo Growers, Inc.	63	(4,223)	—
Unrealized loss on stock in Calavo Growers, Inc.	2,054	—	—
Changes in operating assets and liabilities, net of business combinations:			
Account receivable, net	(4,012)	(3,235)	(1,557)
Cultural costs	1,447	(746)	193
Prepaid expenses and other current assets	(2,548)	99	138
Income taxes receivable	(601)	192	2,240
Other assets	(7)	(134)	275
Accounts payable and growers payable	3,392	707	471
Accrued liabilities	1,542	2,601	(1,263)
Other long-term liabilities	(191)	96	199
Net cash provided by operating activities	1,365	18,397	18,482
Investing activities			
Capital expenditures	(15,867)	(13,873)	(12,901)
Purchase of real estate development parcel	—	(1,444)	—
Net proceeds from sales of property assets	3,978	—	—
Net proceeds from sales of real estate development assets	2,886	1,543	—
Agriculture property acquisitions	(397)	(13,111)	—
Business combinations	(15,000)	(25,000)	(5,706)
Net proceeds from sale of stock in Calavo Growers, Inc.	4,785	4,721	—
Collections of installments on note receivable	150	200	—
Equity investment contributions	(4,000)	(3,500)	(7,450)
Cash distribution from equity investment	283	—	—
Investments in mutual water companies and water rights	(472)	(343)	(359)
Net cash used in investing activities	(23,654)	(50,807)	(26,416)

LIMONEIRA COMPANY

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

	Years Ended October 31,		
	2019	2018	2017
Financing activities			
Borrowings of long-term debt	$ 122,899	$ 167,356	$ 181,429
Repayments of long-term debt	(93,994)	(193,723)	(168,932)
Dividends paid - common	(5,331)	(4,025)	(3,155)
Dividends paid - preferred	(501)	(501)	(560)
Exchange of common stock	(605)	(656)	(294)
Issuance of common stock	—	64,097	—
Payments of deferred financing costs	(35)	—	(108)
Net cash provided by financing activities	22,433	32,548	8,380
Effect of exchange rate changes on cash	(137)	(21)	8
Net increase in cash	7	117	454
Cash at beginning of year	609	492	38
Cash at end of year	$ 616	$ 609	$ 492
Supplemental disclosures of cash flow information			
Net cash paid during the year for interest (net of amounts capitalized)	$ 2,532	$ 1,585	$ 1,641
Cash paid during the year for income taxes, net of (refunds received)	$ 130	$ 210	$ (540)
Non-cash investing and financing activities:			
Unrealized holding gain on Calavo investment	$ —	$ (6,765)	$ (4,365)
(Decrease) increase in real estate development and sale-leaseback deferral	$ (58,330)	$ 27,934	$ 7,047
Increase in equity in investments and other long-term liabilities	$ —	$ 1,080	$ —
Non-cash receipt of note receivable	$ —	$ 3,000	$ —
Non-cash reduction of note receivable	$ 89	$ 79	$ —
Capital expenditures accrued but not paid at year-end	$ 133	$ 399	$ 427
Accrued interest on note receivable	$ 198	$ 192	$ 23
Conversion of preferred stock to common stock	$ —	$ —	$ 1,421
Non-cash issuance of notes payable	$ —	1,435	$ —

In December 2018, the Company terminated its lease agreement with the Joint Venture (as defined herein) that is developing the East Area I real estate development project. As a result, the Company reduced its sale lease-back deferral and corresponding real estate development by $58,330,000 and reclassified $33,353,000 of the Company's basis in the Joint Venture from real estate development to equity in investments as further described in Note 7 - Real Estate Development and Note 8 - Equity in Investments of the notes to consolidated financial statements included in this Annual Report on Form 10-K.

On July 24, 2018, the Company entered into an agreement to acquire assets from Oxnard Lemon Associates, Ltd. for a purchase price of $25,000,000 in cash as further described in Note 3 – Acquisitions of the notes to consolidated financial statements included in this Annual Report on Form 10-K.

On July 18, 2018, the Company acquired Agricola San Pablo S.A. ("San Pablo") ranch for a total purchase price of $13,111,000 in cash as further described in Note 3 – Acquisitions of the notes to consolidated financial statements included in this Annual Report on Form 10-K.

In February 2013, the Company entered into an option agreement for the purchase of a 7-acre parcel adjacent to its East Area II real estate development project. In February 2018, the Company exercised its option and purchased the property for $3,145,000, by making a cash payment of $1,444,000 and issuing a note payable for $1,435,000.

In 2019 and 2018, the holder of the note receivable from a 2004 sale of property completed the drilling of a water well at the Company's La Campana Ranch. The fair value of the well drilling services were $89,000 and $79,000, respectively, and the Company recorded a non-cash reduction of the note receivable.

During 2017, certain shares of Series B convertible preferred stock were converted into common stock as described in Note 21 – Series B and Series B-2 Preferred Stock of the notes to consolidated financial statements included in this Annual Report.

In October 2017, the Company entered an agreement to sell its Centennial Square ("Centennial") real estate development property for $3,250,000. This transaction closed in December 2017 with the Company receiving net proceeds of $179,000 and received a $3,000,000 promissory note secured by the property for the balance of the purchase price.

On June 20, 2017, the Company entered into a Master Loan Agreement with Farm Credit West, FLCA and repaid $68,572,000 of outstanding debt under the Rabobank revolving credit facility as further described in Note 12 – Long-Term Debt of the notes to consolidated financial statements included in this Annual Report on Form 10-K.

On February 24, 2017, the Company acquired 90% of the outstanding stock of Fruticola Pan de Azucar S.A. ("PDA") for a purchase price of $5,706,000 in cash as further described in Note 3 – Acquisitions of the notes to consolidated financial statements included in this Annual Report on Form 10K.

See Notes to Consolidated Financial Statements.

1. Business

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

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

The Company sells all of its avocado production to Calavo Growers, Inc. ("Calavo"), a packing and marketing company listed on the NASDAQ Global Select Market under the symbol CVGW. 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, which are then sold and distributed under Calavo brands to its customers.

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. The consolidated financial statements represent the consolidated balance sheets, statements of operations, statements of comprehensive income, statements of stockholders' equity and temporary equity and statements of cash flows of Limoneira Company and consolidated subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The Company considers the criteria established under the Financial Accounting Standards Board ("FASB") – Accounting Standards Code ("ASC") 810, *Consolidations,* and the effect of variable interest entities, in its consolidation process.

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.

Accounts Receivable

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. The Company provides allowances on its receivables as required based on accounts receivable aging and other factors. At October 31, 2019 and 2018 the allowances totaled $631,000 and $563,000, respectively. For fiscal years 2019, 2018 and 2017, credit losses were insignificant.

Concentrations and Geographic Information

The Company sells all of its avocado production to Calavo. Sales of avocados to Calavo were $3,080,000, $6,576,000 and $9,522,000 in fiscal years 2019, 2018 and 2017, respectively. The Company sells the majority of its oranges and specialty citrus to a third-party packinghouse.

Lemons procured from third-party growers were approximately 60%, 45% and 44% of the Company's lemon supply in fiscal years 2019, 2018 and 2017, respectively. One third-party grower was 40% and 50% of grower payable at October 31, 2019 and 2018, respectively.

The Company maintains its cash 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.

2. Summary of Significant Accounting Policies (continued)

Concentrations and Geographic Information (continued)

During fiscal year 2019, the Company had approximately $3.2 million of lemon and orange sales in Chile by PDA and San Pablo and $14.7 million of lemon sales in Argentina by Trapani Fresh. During fiscal year 2018, the Company had approximately $2.8 million of lemon and orange sales in Chile by PDA and San Pablo. During fiscal year 2017, the Company had approximately $1.1 million of lemon and orange sales in Chile by PDA. The majority of our avocados, oranges and specialty citrus and other crops are sold to packinghouses and processors located in the United States. Most of its long-lived assets are located within the United States. Long-lived assets, net of accumulated depreciation, located in Chile and Argentina were $15.6 million and $18.7 million, respectively, as of October 31, 2019 and $15.7 million in Chile as of October 31, 2018.

Cultural Costs

Growing costs, also referred to as cultural costs, consist of orchard maintenance costs such as cultivation, fertilization and soil amendments, pest control, pruning and irrigation. Harvest costs are comprised of labor and equipment expenses incurred to harvest and deliver crops to the packinghouses.

Certain of the Company's crops have distinct growing periods and distinct harvest and selling periods, each of which lasts approximately four to eight months. During the growing period, cultural costs are capitalized as they are associated with benefiting and preparing the crops for the harvest and selling period. During the harvest and selling period, harvest costs and cultural costs are expensed when incurred and capitalized cultural costs are amortized as components of agribusiness costs and expenses.

Due to climate, growing conditions and the types of crops grown, certain of the Company's other crops may be harvested and sold on a year-round basis. Accordingly, the Company does not capitalize cultural costs associated with these crops and therefore such costs, as well as harvest costs associated with these crops, are expensed to operations when incurred as components of agribusiness costs and expenses.

Most cultural costs, including amortization of capitalized cultural costs, and harvest costs are associated with and charged to specific crops. Certain other costs, such as property taxes, indirect labor, including farm supervision and management, and irrigation that benefit multiple crops are allocated to crops on a per acre basis.

Income Taxes

Deferred income tax assets and liabilities are computed annually for differences between the financial statement and income tax basis 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 – 30
Buildings and building improvements	10 – 50
Equipment	5 – 20
Orchards and vineyards	20 – 40

Costs of planting and developing orchards are capitalized until the orchards become commercially productive. Planting costs consist primarily of the costs to purchase and plant nursery stock. Orchard development costs consist primarily of maintenance costs of orchards such as cultivation, pruning, irrigation, labor, spraying and fertilization, and interest costs during the development period. The Company ceases the capitalization of costs and commences depreciation when the orchards become commercially productive and orchard maintenance costs are accounted for as cultural costs as described above.

2. Summary of Significant Accounting Policies (continued)

Capitalized Interest

Interest is capitalized on real estate development projects and significant construction in progress using the weighted average interest rate during the fiscal year. Interest of $1,369,000 and $2,407,000 was capitalized during the years ended October 31, 2019 and 2018, respectively, and is included in property, plant, and equipment and real estate development assets in the Company's consolidated balance sheets.

Real Estate Development Costs

The Company capitalizes the planning, entitlement, construction, development costs and interest associated with its various real estate projects. Costs that are not capitalized, which include property maintenance and repairs, general and administrative and marketing expenses, are expensed as incurred. A real estate development project is considered substantially complete upon the cessation of construction and development activities. Once a project is substantially completed, future costs are expensed as incurred. The Company capitalized costs related to its real estate projects of $1,797,000 and $32,662,000 in fiscal years 2019 and 2018, respectively.

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 ("VIE"), 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.

Equity Securities

Effective November 1, 2019 upon the adoption of ASU 2016-01, the Company's equity securities, previously referred to as available-for-sale marketable securities, are stated at fair value with unrealized gains (losses) reported in net income. Previously the Company's investments in marketable securities were 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 statement of comprehensive income. At October 31, 2019 and 2018, equity securities are comprised of the Company's investment in Calavo.

Long-Lived and Intangible Assets

Intangible assets consist primarily of customer relationships, trade names and trademarks and a non-competition agreement. The Company's definite-life intangible assets are being amortized on a straight-line basis over their estimated lives ranging from eight to ten years. Acquired water and mineral rights are indefinite-life assets not subject to amortization and are included in Other Assets in the Consolidated Balance Sheets. Assets held for sale are carried at the lower of cost or fair value less estimated cost to sell.

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 fair value or 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. 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.

Goodwill

Goodwill is tested for impairment on an annual basis or when an event or changes in circumstances indicate that its carrying value may not be recoverable. Goodwill impairment is tested at the reporting unit level, which is defined as an operating segment or one level below the operating segment. The annual, or interim, goodwill impairment test is performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. Goodwill impairment testing involves significant judgment and estimates. The annual assessment of goodwill impairment was performed as of July 31, 2019 with no impairment noted.

Fair Values of Financial Instruments

The fair values of financial instruments are based on level-one indicators within the fair value hierarchy 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.

2. Summary of Significant Accounting Policies (continued)

Fair Values of Financial Instruments (continued)

Accounts receivable, note receivable, accounts payable, 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 maturities, the fair value of long-term debt is approximately equal to its carrying amount as of October 31, 2019 and 2018.

Business Combinations and Asset Acquisitions

Business Combinations are accounted for under the acquisition method in accordance with ASC 805, *Business Combinations*. The acquisition method requires identifiable assets acquired and liabilities assumed and any noncontrolling interest in the business acquired be recognized and measured at fair value on the acquisition date, which is the date that the acquirer obtains control of the acquired business. The amount by which the fair value of consideration transferred as the purchase price exceeds the net fair value of assets acquired and liabilities assumed is recorded as goodwill. Acquisitions that do not meet the definition of a business under the ASC are accounted for as asset acquisitions. Asset acquisitions are accounted for by allocating the cost of the acquisition to the individual assets acquired and liabilities assumed on a relative fair value basis. Goodwill is not recognized in an asset acquisition with any consideration in excess of net assets acquired allocated to acquired assets on a relative fair value basis. Transaction costs are expensed in a business combination and are considered a component of the cost of the acquisition in an asset acquisition.

Comprehensive (Loss) Income

Comprehensive (loss) income represents all changes in a company's net assets, except changes resulting from transactions with shareholders, and is reported as a component of the Company's stockholders' equity. As of October 31, 2019, accumulated other comprehensive loss consists of foreign currency translation items of $2,362,000, pension liability items of $4,753,000 and security available for sale items of $140,000.

Foreign Currency Translation

San Pablo and PDA's functional currency is the Chilean Peso. Their balance sheets are translated to U.S. dollars at exchange rates in effect at the balance sheet date and their income statements are translated at average exchange rates during the reporting period. The resulting foreign currency translation adjustments are recorded as a separate component of accumulated other comprehensive income. Trapani Fresh Consorcio de Cooperacion ("Trapani Fresh") functional currency is the U.S. Dollar.

Revenue Recognition

On November 1, 2018, the Company adopted Financial Accounting Standards Board ("FASB") – *Accounting Standards Update ("ASU") ASU 2014-09, Revenue from Contracts with Customers (Topic 606)*, that amends the guidance for the recognition of revenue from contracts with customers. The results for the reporting period beginning after November 1, 2018 are presented in accordance with the new standard which was adopted using the modified-retrospective method and applied to those contracts that were not completed as of November 1, 2018. There was no net effect of applying the standard and therefore no cumulative adjustment to retained earnings was necessary at the date of initial application. As a result, comparative information has not been restated and the results for the reporting periods before November 1, 2018 continue to be reported under the accounting standards and policies in effect for those periods.

The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps:

- Identify the contract(s) with a customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contract.
- Recognize revenue when (or as) the entity satisfies a performance obligation.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

The Company determined the appropriate method by which it recognizes revenue by analyzing the nature of the products or services being provided as well as the terms and conditions of contracts or arrangements entered into with its customers. The Company accounts for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. A contract's transaction price is allocated to each distinct good or service (i.e., performance obligation) identified in the contract and each performance obligation is valued based on its estimated relative standalone selling price.

The Company recognizes the majority of its revenue at a point in time when it satisfies a performance obligation and transfers control of the product to the respective customer. The amount of revenue that is recognized is based on the transaction price, which represents the invoiced amount and includes estimates of variable consideration such as allowances for estimated customer discounts or concessions, where applicable. The amount of variable consideration included in the transaction price may be constrained and is included only to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognized under the contract will not occur in a future period.

Upon adoption, the Company changed the accounting of certain brokered fruit sales. Under previous guidance, the Company was considered an agent and recorded revenues for certain brokered fruit sales and the costs of such fruit on a net basis in its consolidated statement of operations. Under the new revenue recognition standard, the Company is considered a principal in the transaction and revenues are recorded on a gross basis in the Company's consolidated statement of operations with the related cost of such fruit included in agribusiness costs and expenses. This change resulted in the recognition of additional agribusiness revenue and agribusiness costs and expenses within the fresh lemons segment of $8,827,000 for the year ended October 31, 2019. Had it used the previous revenue recognition guidance, the Company would have recorded insignificant net agribusiness revenue for these transactions for the year ended October 31, 2019. No cumulative adjustment to retained earnings was necessary as there is no net effect to the consolidated statement of operations.

Agribusiness revenue - Revenue from lemon sales is generally recognized at a point in time when the customer takes control of the fruit from the Company's packinghouse, which aligns with the transfer of title to the customer. The Company has elected to treat any shipping and handling costs incurred after control of the goods has been transferred to the customer as agribusiness costs.

The Company's avocados, oranges, specialty citrus and other specialty crops are packed and sold by Calavo and other third-party packinghouses. The Company delivers all of its avocado production from its orchards to Calavo. These avocados are then packed by Calavo at its packinghouse and sold and distributed under Calavo brands to its customers primarily in the United States and Canada. The Company's arrangements with other third-party packinghouses related to its oranges, specialty citrus and other specialty crops are similar to its arrangement with Calavo. The Company's arrangements with its third-party packinghouses are such that the Company is the producer and supplier of the product and the third-party packinghouses are the Company's customers.

The revenues the Company recognizes related to the fruits sold to the third-party packinghouses are based on the volume and quality of the fruits delivered, the market price for such fruit, less the packinghouses' charges to pack and market the fruit. Such packinghouse charges include the grading, sizing, packing, cooling, ripening and marketing of the related fruit. The Company controls the product until it is delivered to the third-party packinghouses at which time control of the product is transferred to the third-party packinghouses and revenue is recognized. Such third-party packinghouse charges are recorded as a reduction of revenue as they are not for distinct services. The identifiable benefit the Company receives from the third-party packinghouses for packaging and marketing services cannot be sufficiently separated from the third-party packinghouses' purchase of the Company's products. In addition, the Company is not able to reasonably estimate the fair value of the benefit received from the third-party packinghouses for such services and as such, these costs are characterized as a reduction of revenue in the Company's consolidated statements of operations.

Revenue from the sales of certain of the Company's agricultural products is recorded based on estimated proceeds provided by certain of the Company's sales and marketing partners (Calavo and other third-party packinghouses) due to the time between when the product is delivered by the Company and the closing of the pools for such fruits at the end of each month or harvest period. Calavo and other third-party packinghouses are agricultural cooperatives or function in a similar manner as an agricultural cooperative. The Company estimates the variable consideration using the most likely amount method, with the most likely amount being the quantities actually shipped extended by the prices reported by Calavo and other third-party packinghouses. Revenue is recognized at time of delivery to the packinghouses relating to fruits that are in pools that have not yet closed at month end if: (a) the related fruits have been delivered to and accepted by Calavo and other third-party packinghouses (i.e., Calavo and other third-

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

party packinghouses obtain control) and (b) sales price information has been provided by Calavo and other third-party packinghouses (based on the marketplace activity for the related fruit) to estimate with reasonable certainty the final selling price for the fruit upon the closing of the pools. In such instances the Company has the present right to payment and Calavo and other third-party packinghouses have the present right to direct the use of, and obtain substantially all of the remaining benefits from, the delivered fruit. The Company does not expect that there is a high likelihood that a significant reversal in the amount of cumulative revenue recognized in the early periods of the pool will occur once the final pool prices have been reported by the packinghouses. Historically, the revenue that is recorded based on the sales price information provided to the Company by Calavo and other third-party packinghouses at the time of delivery, have not materially differed from the actual amounts that are paid after the monthly or harvest period pools are closed.

The Company has entered into brokerage arrangements with third-party international packinghouses. In certain of these arrangements, the Company has the exclusive ability to direct the use of and obtains substantially all of the remaining benefits from the fruit, and therefore is acting as a principal. As such, the Company records the related revenue and costs of the fruit gross in the consolidated statement of operations.

Revenue from crop insurance proceeds is recorded when the amount can be reasonably determined and upon establishment of the present right to payment. The Company recorded agribusiness revenues from crop insurance proceeds of $2,311,000, $54,000 and $74,000 in fiscal years 2019, 2018 and 2017, respectively.

Rental Operations Revenue - Minimum rental 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 received by the Company and are based on fees collected by the lessee. Such revenues are recognized when actual results, based on collected fees reported by the tenant, are received. The Company's rental arrangements generally require payment on a monthly or quarterly basis.

Real Estate Development Revenue - The Company recognizes revenue on real estate development projects with customers at a point in time (i.e., the closing) when the Company satisfies the single performance obligation and transfers control of such real estate to a buyer. The transaction price, which is the amount of consideration the Company receives upon delivery of the completed real estate to the buyer, is allocated to this single obligation and is received at closing. Real estate development projects with non-customers are accounted for in accordance with Accounting Standards Code (“ASC”) 610-20, *Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets.*

Incidental operations may occur during the holding or development period of real estate development projects to reduce holding or development costs. Incremental revenue from incidental operations in excess of incremental costs from incidental operations is accounted for as a reduction of development costs. Incremental costs from incidental operations in excess of incremental revenue from incidental operations are charged to operations.

Advertising Expense

Advertising costs are expensed as incurred. Advertising costs were not material in all years presented.

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.

Basic and Diluted Net (Loss) Income per Share

Basic net (loss) 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 preferred stock. Diluted net (loss) income per common share is calculated using the weighted-average number of common shares outstanding plus the dilutive effect of conversion of preferred stock. The Series B and Series B-2 convertible preferred shares were anti-dilutive for fiscal years ended October 31, 2019 and 2017 and dilutive for fiscal year ended October 31, 2018.

Unvested stock-based compensation awards that contain non-forfeitable rights to dividends as participating shares are included in computing earnings per share using the treasury stock method. The Company’s unvested, restricted stock awards qualify as participating shares.

2. Summary of Significant Accounting Policies (continued)

Reclassifications and Adjustments

Certain reclassifications have been made to the prior years' consolidated financial statements to conform to the October 31, 2019 presentation. The Company reclassified goodwill and other intangible assets of $1,431,000 and $6,225,000, respectively, as of October 31, 2018, from other assets to goodwill and other intangible assets.

Defined Benefit Retirement Plan

The Company sponsors a defined benefit retirement plan that was frozen in June 2004, and no future benefits have been accrued to participants subsequent to that time. Ongoing accounting for this plan under FASB ASC 715, *Compensation – Retirement Benefits,* provides guidance as to, among other things, future estimated pension expense, pension liability and minimum funding requirements. This information is provided to the Company by third-party actuarial consultants. In developing this data, certain estimates and assumptions are used, including among other things, discount rate, long-term rate of return and mortality tables.

During 2019, the Society of Actuaries (SOA) released a new mortality improvement scale table, referred to as MP-2019, which is believed to better reflect mortality improvements and is to be used in calculating defined benefit pension obligations. In addition, during fiscal year 2019, the assumed discount rate to measure the pension obligation decreased to 3.0%. The Company used the latest mortality tables released by the SOA through October 2019 to measure its pension obligation as of October 31, 2019 and combined with the assumed discount rate and other demographic assumptions, its pension liability increased by approximately $634,000 as of October 31, 2019. Further changes in any of these estimates could materially affect the amounts recorded that are related to our defined benefit retirement plan.

Recent Accounting Pronouncements

FASB ASU 2016-01, Financial Instruments Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities

The amendments in ASU 2016-01, among other things, require equity securities (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. Requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes. Requires separate presentation of financial assets and financial liabilities by measurement category and form of financial assets (i.e., securities or loans and receivables). Eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate fair value that is required to be disclosed for financial instruments measured at amortized cost.

ASU 2016-01 is effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company's adoption of this ASU on November 1, 2018 resulted in a cumulative-effect adjustment to the statement of financial position, with the Company reclassifying unrealized holding gains of $15,921,000, net of taxes, in Calavo common stock to retained earnings from accumulated other comprehensive income ("AOCI") at the date of adoption. In addition, the change in the fair value of Calavo common stock has been disclosed as a separate line item in the statement of operations subsequent to the adoption of ASU 2016-01.

FASB ASU 2016-02, Leases (Topic 842) and related ASUs, including ASU 2018-11, Leases (Topic 842): Targeted Improvements

Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

- A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and
- A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and Topic 606, Revenue from Contracts with Customers. The new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing.

ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified

2. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. The ASU will be effective for the Company beginning in the first quarter of its fiscal year ending October 31, 2020. The Company is evaluating the effect these ASU's may have on its consolidated financial statements, however it expects to apply the practical expedients provided in the ASUs.

The Company expects that most of its operating lease commitments will be recognized as lease liabilities and right-of-use assets upon adoption of this guidance. The Company's leases primarily include agricultural land leases and equipment leases. The Company will adopt the guidance as of November 1, 2019, and prior periods will not be adjusted. The Company continues to implement changes to its systems, processes and controls in conjunction with its review of existing lease agreements. The Company expects the adoption of this guidance will result in an increase in assets and liabilities in the range of $2.0 million to $3.0 million on its opening balance sheet as a result of recognizing new right-of-use assets and lease liabilities. The Company does not expect the adoption of this guidance to have a material impact to its consolidated statements of operations or on its total cash flows from operating, investing or financing activities. The ultimate impact of adopting this guidance will depend on the Company's lease portfolio and other factors as of the transition date.

FASB ASU 2016-13, Financial Instruments -Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments

This amendment requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses.

ASU 2016-13 is effective for SEC filers for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early application is permitted for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company is evaluating the effect this ASU may have on its consolidated financial statements.

FASB ASU No. 2017-04 -Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment

This amendment eliminates Step 2 from the goodwill impairment test. The annual, or interim, goodwill impairment test is performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary.

ASU 2017-04 is effective for interim and annual reporting periods beginning after December 15, 2019, with early adoption permitted. The Company early adopted the standard as of May 1, 2019 and followed this guidance during its annual impairment testing performed during the third quarter. The adoption did not have an impact on its financial position, results of operations, or cash flows.

FASB ASU 2017-07, Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost

The amendment requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. If a separate line item or items are used to present the other components of net benefit cost, that line item or items must be appropriately described. If a separate line item or items are not used, the line item or items used in the income statement to present the other components of net benefit cost must be disclosed.

The amendment is effective for public business entities for annual periods beginning after December 15, 2017, including interim periods within those annual periods. The Company's adoption of this ASU during the first quarter of fiscal year 2019 had no material impact on its consolidated financial statements.

2. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

FASB ASU 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income

This amendment provides financial statement preparers with an option to reclassify stranded tax effects within AOCI to retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act of 2017 (the "2017 Act") (or portion thereof) is recorded.

The amendment is effective for all organizations for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. Organizations should apply the proposed amendment either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the 2017 Act is recognized. The Company early adopted this ASU on November 1, 2018, and as a result recorded a cumulative-effect reclassification in the statement of financial position to retained earnings from AOCI at the date of adoption of $1,411,000 related to the investment in Calavo and pension liability.

FASB ASU 2018-14, Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans

This amendment adds, removes and clarifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. For public business entities, the amendments are effective for fiscal years ending after December 15, 2020. Early adoption is permitted. The Company is evaluating the effect this ASU may have on its consolidated financial statements.

SEC Amendments to Certain Disclosure Requirements

In August 2018, the SEC adopted amendments to certain disclosure requirements for a number of SEC rules, including Rule 3-04 of Regulation S-X. Rule 3-04 requires that a public registrant's Form 10-Q include a reconciliation of changes in stockholders' equity for each period for which a statement of comprehensive income is required to be filed. These amendments are effective for interim periods beginning after November 5, 2018. The Company adopted these amendments beginning in the first quarter of fiscal year 2019 and included a separate statement of stockholders' equity and temporary equity in its Quarterly Reports on Form 10-Q.

3. Acquisitions

Agriculture Property Acquisition

In January 2019, the Company purchased land for use as a citrus orchard for a cash purchase price of $397,000. The acquisition was for 26 acres of agricultural property adjacent to the Company's orchards in Lindsay, California. This agriculture property acquisition is included in property, plant and equipment on the Company's consolidated balance sheet.

San Pablo

On July 18, 2018, the Company completed the acquisition of San Pablo ranch and related assets in La Serena, Chile, for $13,000,000. The San Pablo ranch consists of 3,317 acres on two parcels, including 247 acres producing lemons, 61 acres producing oranges, the opportunity to immediately plant 120 acres for lemon production, as well as the potential for approximately 500 acres of avocado production. This acquisition was accounted for as an asset purchase and is included in property, plant and equipment in the Company's consolidated balance sheet. In addition, transaction costs of $111,000 were capitalized as part of total acquisition costs.

Below is a summary of the fair value of the net assets acquired on the acquisition date based on a third-party valuation (in thousands):

Cultural costs	$	579
Land and land improvements		9,114
Buildings and equipment		207
Orchards		2,058
Water rights		1,153
Total assets acquired	$	13,111

3. Acquisitions (continued)

Agriculture Property Acquisition (continued)

The unaudited, pro forma consolidated statement of operations as if San Pablo had been included in the consolidated results of the Company for the year ended October 31, 2018 would have resulted in revenues of $130,262,000 and net income of $18,785,000.

Business Combinations

Trapani Fresh

On May 30, 2019, the Company acquired a 51% interest in a joint venture, Trapani Fresh, formed with FGF Trapani ("FGF"), a multi-generational, family owned citrus operation in Argentina. To consummate the transaction, the Company formed a subsidiary under the name Limoneira Argentina S.A.U. ("Limoneira Argentina") as the managing partner and acquired a 51% interest in an Argentine Trust that holds a 75% interest in Finca Santa Clara ("Santa Clara"), a ranch with approximately 1,200 acres of planted lemons. Trapani Fresh controls the trust and grows, packs, markets and sells fresh citrus.

Total consideration paid for the Company's interest in Trapani Fresh was $15,000,000 of which $7,500,000 was paid to FGF on May 30, 2019. The remaining $7,500,000 was advanced to FGF, $4,000,000 in February 2019 and $3,500,000 in May 2019, as prepayments for the 25% interest in Santa Clara retained by FGF. Transaction costs of approximately $654,000 were included in selling, general and administrative expense. The Company has consolidated Trapani Fresh and has accounted for the acquisition of Trapani Fresh as a business combination, resulting in FGF's 49% interest in Trapani Fresh being accounted for as a noncontrolling interest.

Below is a summary of the preliminary fair value of the net assets acquired on the acquisition date based on a third-party valuation which was updated during the fourth quarter of fiscal year 2019 due to changes in the enacted tax rates in Argentina which increased the customer relationships, trademarks and non-competition agreement and decreased goodwill (in thousands):

Cultural costs	$	3,270
Land and land improvements		9,520
Buildings and building improvements		870
Orchards		8,410
Customer relationships, trademarks and non-competition agreement (10 year useful life)		6,920
Goodwill		420
Total assets acquired		29,410
Noncontrolling interest		(14,410)
Net cash paid	$	15,000

Preliminary goodwill of $420,000 relates to synergies of the operations, has been allocated to the fresh lemons segment and is currently not expected to be deductible for tax purposes. Revenue of $14,651,000 and net income of $999,000 of Trapani Fresh are included in the Company's consolidated statement of operations from the acquisition date to the period ended October 31, 2019. The unaudited, pro forma consolidated statement of operations as if Trapani Fresh had been included in the consolidated results of the Company for the years ended October 31, 2019 and 2018 would have resulted in revenues of $177,625,000 and $153,033,000, respectively, and net (loss) income of $(6,092,000) and $21,942,055, respectively.

Oxnard Lemon

On July 24, 2018, the Company and Oxnard Lemon Associates, Ltd., a California limited partnership ("Seller"), entered into an Asset Purchase Agreement (the "Purchase Agreement"). Pursuant to the Purchase Agreement, on July 26, 2018 (the "Initial Closing Date"), the Company acquired certain tangible assets of Seller, including a packinghouse and related land ("Oxnard Lemon"), for a purchase price of $24,750,000 (the "Initial Acquisition"). Pursuant to the Purchase Agreement, the closing on the purchase of the intangible assets of Seller, including Seller's trade names, trademarks and copyrights, took place on October 31, 2018 (the "Final Closing Date"), at which point an additional $250,000 in purchase price was paid to Seller by the Company. The aggregate purchase price for the tangible assets and the intangible assets provided in the Purchase Agreement was $25,000,000. Additionally, the Purchase Agreement provided that Seller lease back the tangible assets from the Company until the Final Closing Date, pursuant to a lease executed on the Initial Closing Date. Transaction costs of $142,000 were included in selling, general and administrative expense.

3. Acquisitions (continued)

Business Combinations (continued)

Below is a summary of the fair value of the net assets acquired on the acquisition date based on a third-party valuation (in thousands):

Land and land improvements	$	7,294
Buildings and equipment		14,866
Customer relationships and trade names		2,270
Goodwill		570
Total assets acquired	$	25,000

The unaudited, pro forma consolidated statement of operations as if Oxnard Lemon had been included in the consolidated results of the Company for the year ended October 31, 2018 would have resulted in revenues of $142,253,000 and net income of $19,728,000.

PDA

On February 24, 2017 (the "Acquisition Date"), the Company completed the acquisition of 90% of the outstanding stock of PDA, a privately-owned Chilean corporation, for $5,800,000 in cash (the "Acquisition"). PDA also had approximately $1,700,000 in long-term debt on the Acquisition Date, which was assumed by the Company in the Acquisition. A holdback of 10% of the purchase proceeds to be paid to the seller was withheld for a six-month period to allow for potential contingencies as defined in the purchase agreement. PDA is a 200-acre lemon and orange orchard located near La Serena, Chile. PDA's total assets of $9,451,000 on the Acquisition Date included a 13% equity interest in Rosales S.A. ("Rosales") in which the Company owns a 35% equity investment. After the Acquisition, the Company owns 47% of Rosales and PDA's 10% stockholder owns the remaining 53% of Rosales. Rosales packs and sells all of PDA's citrus production. PDA had approximately $450,000 of net income on approximately $1,900,000 in sales for the year ended December 31, 2016. Transactions costs incurred in connection with the Acquisition in 2017 were approximately $57,000, which are included in selling, general and administrative expense.

In August 2017, a third-party valuation of the fair value of the net assets was finalized, which resulted in a $193,000 increase in the investment in Rosales with a corresponding decrease in goodwill and increase in deferred income taxes. Additionally, a $94,000 reduction in the purchase price was agreed upon per the terms of the purchase agreement with corresponding decreases in goodwill and noncontrolling interest. The Company received the $94,000 in August 2017. Below is a summary of the fair value of the net assets acquired on the Acquisition Date based on the third-party valuation, which is considered a Level 3 fair value measurement under FASB ASC 820, *Fair Value Measurements and Disclosures* (in thousands):

Cultural costs	$	473
Other current assets		166
Land and land improvements		2,748
Buildings and equipment		206
Orchards		2,876
Investment in Rosales		1,021
Water rights		1,120
Deposit for land purchase		645
Goodwill		196
Total assets acquired		9,451
Current liabilities		(122)
Current and long-term debt		(1,964)
Deferred income taxes		(1,026)
Noncontrolling interest		(633)
Net cash paid	$	5,706

4. Fair Value Measurements

Under the FASB ASC 820, *Fair Value Measurements and Disclosures*, a fair value measurement is determined based on the assumptions that a market participant would use in pricing an asset or liability. A three-tiered hierarchy draws distinctions between market participant assumptions based on (i) observable inputs such as quoted prices in active markets (Level 1), (ii) inputs other than quoted prices in active markets that are observable either directly or indirectly (Level 2) and (iii) unobservable inputs that require the Company to use present value and other valuation techniques in the determination of fair value (Level 3).

The following table sets forth the Company's financial assets and liabilities as of October 31, 2019 and 2018, which are measured on a reoccurring basis during the period, segregated by level within the fair value hierarchy (in thousands):

2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets at fair value:				
Equity securities	$ 17,346	$ —	$ —	$ 17,346

2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets at fair value:				
Equity securities	$ 24,250	$ —	$ —	$ 24,250

Equity securities consist of marketable securities in Calavo common stock. At October 31, 2019 and 2018, the Company owned 200,000 and 250,000 shares, respectively, representing approximately 1.1% and 1.4% of Calavo's outstanding common stock, respectively. These securities are measured at fair value by quoted market prices and changes in fair value are included in the statement of operations subsequent to the adoption of ASU 2016-01. Calavo's stock price at October 31, 2019 and 2018 was $86.73 and $97.00 per share, respectively. Prior to the adoption of ASU 2016-01, these equity securities were classified as available-for-sale securities and changes in fair value were recorded in AOCI net of tax.

In fiscal year 2019, the Company sold 50,000 shares of Calavo common stock for a total of $4,786,000 recognizing a loss of $(63,000). In fiscal year 2018, the Company sold 50,000 shares for a total of $4,721,000, recognizing a gain of $4,223,000. These (losses) gains are included in other (expense) income in the consolidated statement of operations. With the adoption of ASU 2016-01 on November 1, 2018, changes in the fair value of the equity securities result in gains or losses recognized in net income. In fiscal year 2019 the Company recorded an unrealized loss of $2,054,000 which is included in other (expense) income in the consolidated statements of operations. In fiscal year 2018, the Company recorded unrealized holding gains of $6,765,000 ($4,809,000 net of tax) and reclassification of unrealized gain on securities sold of $4,125,000 ($2,965,000 net of tax). In fiscal year 2017, the Company recorded unrealized holding gains of $4,365,000 ($2,643,000 net of tax), which were included in AOCI in the consolidated balance sheet.

5. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following at October 31 (in thousands):

	2019	**2018**
Prepaid supplies and insurance	$ 3,199	$ 1,843
Note receivable and related interest	181	2,797
Real estate development held-for-sale	2,543	5,024
Lemon supplier advances, deferred lease expense and other	2,230	864
	$ 8,153	$ 10,528

6. Property, Plant and Equipment

Property, plant and equipment consists of the following at October 31 (in thousands):

	2019	2018
Land	$ 100,503	$ 93,245
Land improvements	31,897	30,134
Buildings and building improvements	48,348	49,814
Equipment	56,709	54,854
Orchards	54,251	44,337
Construction in progress	26,934	20,709
	318,642	293,093
Less accumulated depreciation	(70,528)	(67,412)
	$ 248,114	$ 225,681

Depreciation expense was $7,944,000, $7,178,000 and $6,370,000 for fiscal years 2019, 2018 and 2017, respectively.

In September 2019, the Company sold its multi-use Mercantile property consisting of a retail convenience store, gas station, car wash and quick serve restaurant located in Santa Paula, California. The Company received net proceeds of $4,000,000 and recognized a gain of approximately $586,000, which is included in gain on sale of property assets in the consolidated statement of operations.

7. Real Estate Development

Real estate development assets are comprised primarily of land and land development costs and consist of the following at October 31 (in thousands):

	2019	2018
East Area I	$ —	$ 91,357
Retained property - East Area I	11,943	10,408
East Area II	5,659	5,397
	$ 17,602	$ 107,162

East Areas I and II

In fiscal year 2005, the Company began capitalizing the costs of two real estate development projects east of Santa Paula, California, for the development of 550 acres of land into residential units, commercial buildings and civic facilities. On November 10, 2015 (the “Transaction Date”), the Company entered into a joint venture with The Lewis Group of Companies (“Lewis”) for the residential development of its East Area I real estate development project. To consummate the transaction, the Company formed Limoneira Lewis Community Builders, LLC (the “LLCB” or “Joint Venture”) as the development entity, contributed its East Area I property to the LLCB and sold a 50% interest in the LLCB to Lewis for $20,000,000.

The Company and the Joint Venture also entered into a Retained Property Development Agreement on the Transaction Date (the "Retained Property Agreement"). Under the terms of the Retained Property Agreement, the Joint Venture will transfer certain contributed East Area I property, which is entitled for commercial development, back to the Company (the "Retained Property") and arrange for the design and construction of certain improvements to the Retained Property, subject to certain reimbursements by the Company. In August 2018, the Retained Property was transferred back to the Company. The net carrying value of the retained property as of October 31, 2019 and 2018 was $11,943,000 and $10,408,000, respectively and classified as real estate development. Such value as of October 31, 2019 includes $1,200,000 for estimated costs incurred by and reimbursable to LLCB, which is accrued in other long-term liabilities. Further, on the Transaction Date, the Joint Venture and the Company entered into a Lease Agreement (the "Lease Agreement"), pursuant to which the Joint Venture would lease certain of the contributed East Area I property back to the Company for continuation of agricultural operations, and certain other permitted uses on the property until the Joint Venture required the property for development. In December 2018, the Company terminated the Lease Agreement pursuant to the terms therein.

7. Real Estate Development (continued)

East Areas I and II (continued)

The Company's sale of an interest in the LLCB in which the Company's contributed property comprises the LLCB's primary asset, combined with the Lease Agreement was considered a sale-leaseback transaction under *FASB ASC 840, Leases,* because of the Company's continuing involvement in the property in the form of its agricultural operations. Accordingly, the property was carried on the consolidated balance sheet as real estate development, rather than being classified as an equity investment and a sale-leaseback deferral was recorded for the $20,000,000 payment made by Lewis for the purchase of the LLCB interest. Lease expense associated with the Lease Agreement was not required under sale-leaseback accounting since the Company was treated as though it continued to own the property. During the year ended October 31, 2018, the Company recorded $27,934,000 of real estate development costs and corresponding increases in the sale-leaseback deferral to recognize real estate development costs capitalized by the LLCB. When the Lease Agreement was terminated in December 2018, control of the property transferred to the Joint Venture and therefore, the Company reduced the sale and leaseback deferral and corresponding real estate development by $58,330,000 and reclassified $33,353,000 to equity in investments upon derecognition of the real estate development. As the fair value of the Company's ownership interest in the Joint Venture approximated the Company's historical basis in the real estate development at the inception of the Joint Venture, no gain or loss was recorded.

In January 2018, the Joint Venture entered into a $45,000,000 unsecured Line of Credit Loan Agreement and Promissory Note (the "Loan") with Bank of America, N.A. to fund early development activities. The Loan matures in January 2020, with an option to extend the maturity date until 2021, subject to certain conditions. The interest rate on the Loan is LIBOR plus 2.85%, payable monthly. The Loan contains certain customary default provisions and the Joint Venture may prepay any amounts outstanding under the Loan without penalty.

In February 2018, the obligations under the Loan were guaranteed by certain principals from Lewis and by the Company. The guarantee shall continue in effect until all of the Loan obligations are fully paid and the guarantors are jointly and severally liable for all Loan obligations in the event of default by the Joint Venture. The Joint Venture recorded the Loan balance of $43,158,000 as of October 31, 2019. The $1,080,000 estimated value of the guarantee was recorded in the Company's consolidated balance sheets and is included in other long-term liabilities with a corresponding increase in equity in investments. Additionally, a Reimbursement Agreement was executed between the Lewis guarantors and the Company which provides for unpaid liabilities of the Joint Venture to be shared pro-rata by the Lewis guarantors and the Company in proportion to their percentage interest in the Joint Venture.

In fiscal year 2019, the Company announced that its Joint Venture closed the sales of the initial residential lots representing 210 residential units.

Other Real Estate Development Projects

The real estate development parcels within the Templeton Santa Barbara, LLCB project are described as Centennial Square ("Centennial"), The Terraces at Pacific Crest ("Pacific Crest"), and Sevilla. The Company's net carrying value of Sevilla was $2,543,000 and the net carrying values of Pacific Crest and Sevilla were $5,024,000 as of October 31, 2019 and 2018, respectively, which have been included in prepaid expenses and other current assets. The expenses associated with these properties were immaterial. The Company recognized impairment charges of $1,558,000 during fiscal year 2018 and an immaterial impairment charge related to the properties in fiscal year 2017.

In October 2019, the Company sold the Pacific Crest property with a net book value of $2,481,000 for approximately $3,000,000. The Company received net proceeds of $2,886,000 and recognized a gain of $405,000, which has been included in gain on sale of property assets in the consolidated statements of operations.

During December 2017, the Company sold its Centennial property with a net book value of $2,983,000 for $3,250,000. The Company received cash and a $3,000,000 promissory note secured by the property for the balance of the purchase price. After transaction costs, the sale resulted in a gain of $194,000, that is being recognized under the installment method. The promissory note was originally scheduled to mature in June 2018 but provided for three potential extensions to December 2019 which were exercised. The holder of the promissory note made $200,000 and $150,000 of non-refundable principal payments during fiscal 2018 and 2019, respectively. In August 2019, the holder of the note requested an extension of the maturity date of the promissory

7. Real Estate Development (continued)

Other Real Estate Development Projects (continued)

note to December 15, 2020. The Company extended the maturity date concurrently with resetting the interest rate to equal to the 6-month LIBOR plus 2.75% on the outstanding principal balance of the note, interest only paid monthly on the first day of each month beginning January 1, 2020. At October 31, 2019 the carrying value of the note was $2,650,000 and classified in other assets.

During November 2017, the Company sold the commercial portion of its Sevilla property with a net book value of $1,354,000 for $1,452,000. Net proceeds received, after transaction costs were $1,364,000, and the resulting gain was immaterial.

8. Equity in 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 26.8% interest as a limited partner. Based on the terms of the partnership agreement, the Company may be removed as general partner 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 provides Del Mar with farm management, orchard land development and accounting services and received expense reimbursements of $159,000, $163,000 and $146,000 in fiscal years 2019, 2018 and 2017, respectively. Del Mar markets lemons through the Company pursuant to its customary marketing agreements and the amount of lemons procured from Del Mar was $1,674,000, $2,361,000 and $2,271,000 in fiscal years 2019, 2018 and 2017, respectively. Fruit proceeds due to Del Mar were $554,000 and $709,000 at October 31, 2019 and 2018, respectively, and are included in grower's payable in the accompanying consolidated balance sheets.

Romney Property Partnership

In May 2007, the Company and an individual formed the Romney Property Partnership ("Romney") for the purpose of owning and leasing an office building and adjacent lot in Santa Paula, California. The Company paid $489,000 in 2007 for 75% interest in Romney. 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, which receives 75% and the individual, who receives 25%.

Rosales S.A.

The Company currently has a 47% equity interest in Rosales S.A, ("Rosales") of which 35% was acquired in fiscal 2014 and an additional 12% interest was acquired with the purchase of PDA in fiscal 2017. Rosales is a citrus packing, marketing and sales business located in La Serena, Chile. In addition, the Company has the right to acquire the interest of the majority shareholder of Rosales upon death or disability of Rosales' general manager for the fair value of the interest on the date of the event as defined in the shareholders' agreement. Since the Company has significant influence, but less than a controlling interest, the Company's investment in Rosales is accounted for using the equity method of accounting.

Rosales' functional currency is the Chilean Peso. The following financial information has been translated to U.S. dollars. In addition, as a result of the Company's acquisition of its equity interest, basis differences were identified between the historical cost of the net assets of Rosales and the proportionate fair value of the net assets acquired. Such basis differences aggregated to $1,683,000 on the acquisition date and are primarily comprised of intangible assets, including $343,000 of equity method goodwill. An additional $925,000 of basis differences were identified with the February 2017 PDA acquisition, including $143,000 of equity method goodwill. The $2,122,000 in basis differences exclusive of goodwill is being amortized over the estimated life of the underlying intangible assets as a reduction in the equity investment and an expense included in equity in earnings (losses) of investments. Amortization amounted to $298,000, $337,000 and $290,000 for fiscal years 2019, 2018 and 2017, respectively, and is estimated to be approximately $179,000 per year for years ending October 31, 2020 and 2021 and $118,000, $87,000 and $76,000 per year for years ending October 31, 2022 through October 31, 2024, respectively.

The Company recognized $3,741,000, $3,849,000 and $2,097,000 of lemon sales to Rosales in fiscal years 2019, 2018 and 2017, respectively. In fiscal years 2019, 2018 and 2017, the aggregate amount of lemons and oranges procured from Rosales was $4,315,000, $7,658,000 and $4,283,000, respectively. Amounts due from (to) Rosales were $156,000 and $(65,000) at October 31, 2019 and 2018, respectively.

8. Equity in Investments (continued)

Limoneira Lewis Community Builders, LLC (the “LLCB” or "Joint Venture")

As described in Note 7 – Real Estate Development of the notes to consolidated financial statements included in this Annual Report, on November 10, 2015, the Company entered into a Joint Venture with Lewis for the residential development of its East Area I real estate development project. In addition to the assessment performed by the Company of its investment in LLCB under the requirements of Regulation S-X Rule 4-08(g), the Company also assessed its investment in LLCB under the requirements of Regulation S-X Rule 3-09(b) for the year ended October 31, 2019 and determined it was required to provide audited financial statements of LLCB. The audited financial statements of LLCB for the year ended October 31, 2019 and also the audited financial statements of LLCB for the years ended October 31, 2018 and 2017 are provided as exhibits to this document to comply with this rule. Additionally, there is a basis difference between the Company’s historical investment in the project and the amount recorded in members’ capital by LLCB of $42,722,000. The basis difference of $11,294,000 at October 31, 2019 is primarily comprised of capitalized interest, amounts related to the loan guarantee and certain other costs incurred by Limoneira Company during the development period. This basis difference is being amortized as lots are sold utilizing the relative sales value method and the amount amortized in fiscal year 2019 totaled $1,498,000. The Company's share of LLCB's net income for the fiscal year 2019 prior to basis amortization was $4,368,000.

The following is financial information of the equity method investees for fiscal years 2019, 2018 and 2017 (in thousands):

2019	**Del Mar**	**Romney**	**Rosales**	**LLCB**
Current assets	$ 454	$ —	$ 3,016	$ 137,977
Non-current assets	$ 742	$ 671	$ 1,497	$ —
Current liabilities	$ —	$ —	$ 2,803	$ 51,023
Non-current liabilities	$ —	$ —	$ 161	$ —
Revenues	$ 2,290	$ 15	$ 8,898	$ 37,788
Operating income (loss)	$ 1,299	$ (5)	$ 403	$ 10,001
Net income (loss)	$ 1,299	$ (5)	$ 288	$ 10,001
2018				
Current assets	$ 438	$ —	$ 5,823	$ 125,886
Non-current assets	$ 710	$ 676	$ 1,144	$ —
Current liabilities	$ —	$ —	$ 4,860	$ 56,932
Non-current liabilities	$ —	$ —	$ 169	$ —
Revenues	$ 2,893	$ 21	$ 13,630	$ 40
Operating income (loss)	$ 1,755	$ (4)	$ 1,745	$ (154)
Net income (loss)	$ 1,755	$ (4)	$ 1,243	$ (154)
2017				
Revenues	$ 2,553	$ 20	$ 10,171	$ —
Operating income (loss)	$ 1,587	$ (9)	$ (43)	$ (89)
Net income (loss)	$ 1,587	$ (9)	$ (21)	$ (89)

8. Equity in Investments (continued)

Limoneira Lewis Community Builders, LLC (the “LLCB” or "Joint Venture") (continued)

The Company’s investment and equity in earnings (losses) of the equity method investees are as follows (in thousands):

	Del Mar	Romney	Rosales	LLCB	Total
Investment balance October 31, 2016	$ 1,961	$ 522	$ 1,496	$ 2,275	$ 6,254
Equity earnings (losses)	446	(7)	(299)	(91)	49
Cash distributions	(439)	—	(273)	—	(712)
Investment contributions	—	—	1,020	7,450	8,470
Investment balance October 31, 2017	1,968	515	1,944	9,634	14,061
Equity earnings (losses)	493	(3)	247	(154)	583
Cash distributions	(526)	—	—	—	(526)
Investment contributions	—	—	—	3,500	3,500
Loan guarantee	—	—	—	1,080	1,080
Investment balance October 31, 2018	1,935	512	2,191	14,060	18,698
Equity earnings (losses)	366	—	(163)	2,870	3,073
Cash distributions	(351)	—	(283)	—	(634)
Investment contributions	—	—	—	4,000	4,000
Capitalized interest adjustment	—	—	—	(267)	(267)
Reclassification of sale and leaseback deferral	—	—	—	33,353	33,353
Investment balance October 31, 2019	$ 1,950	$ 512	$ 1,745	$ 54,016	$ 58,223

9. Goodwill and Other Intangible Assets

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

	Goodwill Net Carrying Amount
October 31, 2017	$ 876
Acquisition of Oxnard Lemon	570
Foreign currency translation adjustment	(15)
October 31, 2018	1,431
Acquisition of Trapani Fresh	420
Foreign currency translation adjustment	(12)
October 31, 2019	$ 1,839

See Note 3 - Acquisitions - of the notes to consolidated financial statements included in this Annual Report for additional information regarding the acquisitions of Oxnard Lemon and Trapani Fresh.

Goodwill is tested for impairment on an annual basis or when an event or changes in circumstances indicate that its carrying value may not be recoverable. The Company concluded that no potential impairment indicators existed during any interim period and performed its annual assessment of goodwill impairment as of July 31, 2019 with no impairment noted. The Company did not incur any goodwill impairment losses in fiscal years 2019, 2018 or 2017, as the estimated fair values of its reporting units were in excess of their carrying values.

As of October 31, 2019, the Company has allocated goodwill to its reportable segments as follows: Fresh Lemons $1,269,000 and Lemon Packing $570,000.

9. Goodwill and Other Intangible Assets (continued)

Other intangible assets which continue to be amortized as of October 31, 2019 and 2018 are as follows (in thousands):

	October 31, 2019				October 31, 2018			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Useful Life in Years	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Useful Life in Years
Amortizable other intangible assets:								
Trade names and trademarks	$ 3,786	$ (542)	$ 3,244	10	$ 916	$ (315)	$ 601	8
Customer relationships	5,010	(500)	4,510	9	2,000	(160)	1,840	8
Non-competition agreement	1,040	(42)	998	10	—	—	—	0
Acquired water and mineral rights	3,655	—	3,655	Indefinite	$ 3,784	$ —	$ 3,784	Indefinite
Other intangible assets	$ 13,491	$ (1,084)	$ 12,407		$ 6,700	$ (475)	$ 6,225	

Amortization expense totaled $689,000, $84,000, and $85,000 for the years ended October 31, 2019, 2018 and 2017, respectively.

Estimated future amortization expense of other intangible assets for each of the next five fiscal years and thereafter are as follows (in thousands):

2020	$ 1,037
2021	1,027
2022	976
2023	976
2024	976
Thereafter	3,760
	$ 8,752

10. Other Assets

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. Amounts included in other assets in the consolidated balance sheets as of October 31, 2019 and 2018 were $5,499,000 and $5,026,000, respectively.

11. Accrued Liabilities

Accrued liabilities consist of the following at October 31 (in thousands):

	2019	2018
Compensation	$ 1,973	$ 2,784
Property taxes	652	785
Lemon supplier payables	899	1,214
Capital expenditures, allowance and packing and harvest expenses	3,191	1,769
Payable to FGF	906	—
Other	1,546	1,172
	$ 9,167	$ 7,724

12. Long-Term Debt

Long-term debt is comprised of the following at October 31 (in thousands):

	2019	2018
Farm Credit West revolving and non-revolving lines of credit: the interest rate of the revolving line of credit is variable based on the one-month London Interbank Offered Rate ("LIBOR"), which was 2.30% at October 31, 2019, plus 1.60%. Effective July 1, 2018, the interest rate for the $40.0 million outstanding balance of the non-revolving line of credit was fixed at 4.77%. Interest is payable monthly and the principal is due in full on July 1, 2022.	$ 82,843	$ 50,888
Farm Credit West term loan: Effective October 1, 2019, the interest rate was fixed at 3.76%. The loan is payable in quarterly installments through November 2022.	2,035	2,602
Farm Credit West term loan: Effective October 1, 2019, the interest rate was fixed at 4.14%. The loan is payable in monthly installments through October 2035.	1,078	1,122
Farm Credit West term loan: Effective October 1, 2019, the interest rate was fixed at 4.17%. The loan is payable in monthly installments through March 2036.	8,823	9,172
Farm Credit West term loan: the interest rate is fixed at 3.62% until March 2021, becoming variable for the remainder of the loan. The loan is payable in monthly installments though March 2036.	6,522	6,808
Wells Fargo term loan: the interest rate is fixed at 3.58%. The loan is payable in monthly installments through January 2023.	4,955	6,367
Banco de Chile term loan: the interest rate is fixed at 6.48%. The loan is payable in annual installments through January 2025.	1,386	1,857
Note Payable: the interest rate ranges from 5.00% to 7.00% and was 5.50% at October 31, 2019. The loan includes interest-only monthly payments and principal is due in February 2023.	1,435	1,435
Subtotal	109,077	80,251
Less deferred financing costs, net of accumulated amortization	162	158
Total long-term debt, net	108,915	80,093
Less current portion	3,023	3,127
Long-term debt, less current portion	$ 105,892	$ 76,966

On September 26, 2019, the Company and Farm Credit West, FLCA ("Farm Credit West") entered into Rate Lock Agreements ("Rate Lock Agreements") which fixed the interest rates effective October 1, 2019 for the term loans noted above. Conversion Agreements were also signed as of October 1, 2019 documenting the key terms of the modified lending arrangements. No changes were made to the outstanding principal balances on the loans and no cash repayments of principal were made by the Company. The rates are subject to a prepayment restriction period for a portion of the fixed rate term that will expire on March 1, 2020, after which the Company may prepay any amounts without penalty.

On June 20, 2017, the Company entered into a Master Loan Agreement (the "Loan Agreement") with Farm Credit West that includes a Revolving Credit Supplement and a Non-Revolving Credit Supplement (the "Supplements"). Proceeds from the Supplements were used to pay down all the remaining outstanding indebtedness under the revolving credit facility the Company had with Rabobank, N.A. On January 29, 2018, the Company amended the Revolving Credit Supplement to increase the borrowing capacity from $60,000,000 to $75,000,000. The Supplements provide aggregate borrowing capacity of $115,000,000 comprised of $75,000,000 under the Revolving Credit Supplement and $40,000,000 under the Non-Revolving Credit Supplement. The borrowing capacity based on collateral value was $115,000,000 at October 31, 2019.

12. Long-Term Debt (continued)

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

The Loan Agreement subjects the Company to affirmative and restrictive covenants including, among other customary covenants, financial reporting requirements, requirements to maintain and repair any collateral, restrictions on the sale of assets, restrictions on the use of proceeds, prohibitions on the incurrence of additional debt and restrictions on the purchase or sale of major assets of the Company's business. The Company is also subject to a covenant that it will maintain a debt service coverage ratio greater than 1.25:1.0 measured annually at October 31. The Company was not in compliance with covenants at October 31, 2019, but the non-compliance was waived by Farm Credit West and Wells Fargo.

In fiscal year 2019 the Company paid and capitalized debt financing costs of $35,000 related to the Rate Lock Agreements. In fiscal year 2017 the Company paid and capitalized debt financing costs of $108,000 related to the Loan Agreement and expensed $45,000 of capitalized debt financing costs related to the Rabobank revolving credit facility.

Interest is capitalized on non-bearing orchards, real estate development projects and significant construction in progress. The Company capitalized interest of $1,369,000 and $2,407,000 during the years ended October 31, 2019 and 2018, respectively. Capitalized interest is included in property, plant and equipment and real estate development assets in the Company’s consolidated balance sheets.

The Company incurs certain loan fees and costs associated with its new or amended credit arrangements. Such costs are capitalized as deferred financing costs and amortized as interest expense using the straight-line method over the terms of the credit agreements. The balance of deferred financing costs was $162,000 and $158,000, net of amortization at October 31, 2019 and 2018, respectively and was included in long-term debt on the Company’s consolidated balance sheet.

Principal payments on the Company’s long-term debt are due as follows (in thousands):

2020	$	3,023
2021		3,045
2022		85,998
2023		2,969
2024		999
Thereafter		13,043
	$	109,077

13. Earnings Per Share

Basic net (loss) 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 conversion of preferred stock. Diluted net (loss) income per common share is calculated using the weighted-average number of common shares outstanding during the period plus the dilutive effect of conversion of unvested, restricted stock and preferred stock. The Series B and Series B-2 convertible preferred shares were anti-dilutive for fiscal years ended October 31, 2019 and 2017 and dilutive for fiscal years ended October 31, 2018. The computations for basic and diluted net (loss) income per common share are as follows (in thousands, except per share amounts):

13. Earnings Per Share (continued)

	Year ended October 31,		
	2019	2018	2017
Basic net (loss) income per common share:			
Net (loss) income applicable to common stock	$ (6,444)	$ 19,687	$ 6,035
Effect of unvested, restricted stock	(51)	(34)	—
Numerator: Net (loss) income for basic EPS	(6,495)	19,653	6,035
Denominator: Weighted average common shares-basic	17,580	15,581	14,315
Basic net (loss) income per common share	$ (0.37)	$ 1.26	$ 0.42
Diluted net (loss) income per common share:			
Numerator: Net (loss) income for diluted EPS	$ (6,495)	$ 20,188	$ 6,595
Weighted average common shares-basic	17,580	15,581	14,315
Effect of dilutive unvested, restricted stock and preferred stock	—	628	—
Denominator: Weighted average common shares-diluted	17,580	16,209	14,315
Diluted net (loss) income per common share	$ (0.37)	$ 1.25	$ 0.42

Diluted (losses) earnings per common share are computed using the more dilutive method of either the two-class method or the treasury stock method. Unvested stock-based compensation awards that contain non-forfeitable rights to dividends as participating shares are included in computing earnings per share. The Company's unvested, restricted stock awards qualify as participating shares. The Company excluded 119,000 and 70,000, unvested, restricted shares, as calculated under the treasury stock method, from its computation of diluted (losses) earnings per share for the fiscal years ended October 31, 2019 and 2018, respectively.

14. Related-Party Transactions

The Company has transactions with various related-parties as summarized in the tables below (in thousands):

As of and for the year ending October 31, 2019:

		Balance Sheet					Consolidated Statement of Operations			
Ref	Related Party	Accounts Receivable	Other Assets	Accounts Payable	Growers Payable	Dividends Paid	Net Revenue - Agribusiness	Net Revenue - Rental Operations	Agribusiness Expense and Other	Other Income, Net
1	Employees	$ —	$ —	$ —	$ —	$ —	$ —	$ 744	$ —	$ —
2	Mutual water companies	—	473	11	—	—	—	—	838	—
3	Cooperative association	—	—	35	—	—	—	—	1,687	—
4	Calavo	—	—	—	—	506	3,080	400	1,096	250
5	Third party growers	—	—	—	2	—	—	—	10	—
6	Cadiz / Fenner / WAM	—	—	—	—	—	—	—	186	—
7	Colorado River Growers	376	—	—	—	—	306	—	5,476	—
8	YMIDD	—	—	—	—	—	—	—	150	—
9	FGF	2,609	—	906	—	—	867	—	10,300	—

14. Related-Party Transactions (continued)

As of and for the year ending October 31, 2018:

		Balance Sheet					Consolidated Statement of Operations			
Ref	Related Party	Accounts Receivable	Other Assets	Accounts Payable	Growers Payable	Dividends Paid	Net Revenue - Agribusiness	Net Revenue - Rental Operations	Agribusiness Expense and Other	Other Income, Net
1	Employees	$ —	$ —	$ —	$ —	$ —	$ —	$ 706	$ —	$ —
2	Mutual water companies	—	343	142	—	—	—	—	1,102	—
3	Cooperative association	—	—	142	—	—	—	—	1,869	—
4	Calavo	—	—	3	—	432	6,576	293	367	285
5	Third party growers	—	—	—	487	—	—	—	2,279	—
6	Cadiz / Fenner / WAM	—	—	100	—	—	—	—	178	—
7	Colorado River Growers	232	—	—	—	—	374	—	3,707	—
8	YMIDD	—	—	—	—	—	—	—	213	—

For the year ending October 31, 2017:

		Consolidated Statement of Operations			
Ref	Related Party	Net Revenue - Agribusiness	Net Revenue - Rental Operations	Agribusiness Expense and Other	Other Income, Net
1	Employees	$ —	$ 724	$ —	$ —
2	Mutual water companies	—	—	871	—
3	Cooperative association	—	—	1,843	—
4	Calavo	9,522	287	276	270
5	Third party growers	—	—	2,441	—
6	Cadiz / Fenner / WAM	—	—	144	—
7	Colorado River Growers	476	—	3,959	—
8	YMIDD	—	—	76	34

(1) Employees - The Company rents certain of its residential housing assets to employees on a month-to-month basis and recorded rental income from employees. There were no rental payments due from employees at October 31, 2019 and 2018.

(2) Mutual water companies - The Company has representation on the boards of directors of the mutual water companies in which the Company has investments. The Company recorded capital contributions, purchased water and water delivery services and had water payments due to the mutual water companies.

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

(4) Calavo - The Company has an investment in and representation on the board of directors of Calavo and Calavo has an investment in and had representation on the board of directors of the Company through December 2018. The Company recorded dividend income on its investment in Calavo, paid dividends to Calavo and had avocado sales to Calavo. Additionally, the Company leases office space to Calavo, purchases storage services from Calavo and had amounts due to Calavo for those services.

(5) Third party growers - Certain members of the Company's board of directors, or entities owned or controlled by members of the board of directors, market lemons through the Company and the Company had payments due to them for such lemon procurement.

(6) Cadiz / Fenner / WAM - A member of the Company's board of directors serves as the CEO, President and a member of the board of directors of Cadiz, Inc. In 2013, the Company entered a long-term lease agreement (the "Lease") with Cadiz Real Estate, LLC ("Cadiz"), a wholly owned subsidiary of Cadiz, Inc., and currently leases 670 acres located in eastern San Bernardino County, California. The annual base rental is equal to the sum of $200 per planted acre and 20% of gross revenues from the sale of harvested lemons (less operating expenses), not to exceed $1,200 per acre per year. In 2016, Cadiz assigned this lease to Fenner Valley Farms,

14. Related-Party Transactions (continued)

LLC ("Fenner"), a subsidiary of Water Asset Management, LLC ("WAM"). An entity affiliated with WAM is the holder of 9,300 shares of Limoneira Company Series B-2 convertible preferred stock.

(7) Colorado River Growers, Inc. ("CRG") - The Company has representation on the board of directors of CRG, a non-profit cooperative association of fruit growers engaged in the agricultural harvesting business in Yuma County, Arizona. The Company paid harvest expense to CRG, provided harvest management and administrative services to CRG and had a receivable due from CRG for such services.

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

(9) FGF - The Company advances funds to FGF for fruit purchases which are recorded as an asset until the sales occur and the remaining proceeds become due to FGF. Additionally, FGF provided farming, packing and administrative services to Trapani Fresh from acquisition to October 31, 2019. The Company had a payable due to FGF for such fruit purchases and services.

15. Income Taxes

A reconciliation of income before income taxes for domestic and foreign locations for the years ended October 31, 2019, 2018 and 2017 are as follows (in thousands):

	2019	2018	2017
United States	$ (6,285)	$ 13,099	$ 11,386
Foreign	(278)	384	(760)
Income before income taxes	$ (6,563)	$ 13,483	$ 10,626

The components of the provisions for income taxes for fiscal years 2019, 2018 and 2017 are as follows (in thousands):

	2019	2018	2017
Current:			
Federal	$ (7)	$ 35	$ (1,217)
State	563	(444)	(527)
Foreign	(232)	(169)	(41)
Total current benefit (provision)	324	(578)	(1,785)
Deferred:			
Federal	998	7,393	(2,282)
State	(302)	(212)	(238)
Foreign	77	126	228
Total deferred benefit (provision)	773	7,307	(2,292)
Total benefit (provision)	$ 1,097	$ 6,729	$ (4,077)

The income tax provision differs from the amount which would result from the statutory federal income tax rate primarily as a result of remeasuring deferred tax assets and liabilities, the dividend exclusion and state income taxes.

15. Income Taxes (continued)

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, 2019 and 2018 are as follows (in thousands):

	2019	2018
Deferred income tax assets:		
Labor accruals	$ 236	$ 194
State income taxes	—	97
Net operating losses	1,112	706
Prepaid insurance and other	422	457
Impairments of real estate development assets	719	1,557
Minimum pension liability adjustment	820	644
Amortization	295	203
Total deferred income tax assets	3,604	3,858
Valuation allowance	(362)	—
Total net deferred income tax assets	3,242	3,858
Deferred income tax liabilities:		
Property taxes	(150)	(165)
Depreciation	(13,630)	(13,230)
Book and tax basis difference of acquired assets	(9,661)	(9,886)
Unrealized net gain on Calavo investment	(4,142)	(5,830)
Other	(5)	(119)
Total deferred income tax liabilities	(27,588)	(29,230)
Net deferred income tax liabilities	$ (24,346)	$ (25,372)

The Company periodically evaluates the recoverability of the deferred tax assets. The Company recognized deferred tax assets to the extent that it believes that these assets are more likely than not to be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. The Company has recorded a valuation allowance of $362,000 on two Chilean subsidiaries deferred tax assets as of October 31, 2019 as the Company does not believe it is more likely than not that these deferred tax assets will be realized due to the recent history of cumulative pre-tax book losses and lack of objectively verifiable future source of taxable income.

At October 31, 2019, the Company had federal net operating loss carry-forwards of approximately $4,352,000, state net operating loss of $350,000 and Chile net operating loss of $815,000.

The federal net operating loss of $2,720,000 will be carried forward indefinitely without 80% taxable income limitation and $1,630,000 will be carried forward indefinitely with 80% limitation. State net operating loss begins to expire in 2039. Chilean net operating loss also can be carried forward indefinitely.

15. Income Taxes (continued)

	2019		2018		2017	
	Amount	%	Amount	%	Amount	%
Provision at statutory rates	$ 1,351	(21.0)%	$ (3,125)	(23.3)%	$ (3,613)	(34.0)%
State income tax, net of federal benefit	316	(4.9)%	(768)	(5.7)%	(580)	(5.5)%
Dividend exclusion	28	(0.4)%	49	0.4 %	67	0.6 %
Meals and entertainment	(90)	1.4 %	—	—	—	—
Transaction costs	(137)	2.1 %	—	—	—	—
Production deduction	—	—	—	—	148	1.4 %
Tax law change	—	—	10,295	76.4 %	$ —	—
State rate adjustment	(109)	1.7 %	—	—	—	—
Valuation allowance	(393)	6.1 %	—	—	—	—
Minority interest	116	(1.8)%	—	—	—	—
Other permanent items	15	(0.3)%	278	2.1 %	(99)	(0.9)%
Total income tax benefit (provision)	$ 1,097	(17.1)%	$ 6,729	49.9 %	$ (4,077)	(38.4)%

At October 31, 2019 and 2018, the Company had no unrecognized tax benefits. The Company reports accrued interest and penalties related to unrecognized tax benefits in income tax expense.

The Company files income tax returns in the U.S., California, Arizona, Chile and Argentina. The Company is no longer subject to significant U.S., state and Chilean income tax examinations for years prior to the statutory periods of three years for federal, four years for state and three years for Chilean tax jurisdictions. The Company recognizes interest expense and penalties related to income tax matters as a component of income tax expense. There was no accrued interest or penalties associated with uncertain tax positions as of October 31, 2019.

On December 22, 2017, the Tax Cuts and Jobs Act (the "TCJA") was enacted into law. The TCJA made significant changes to U.S. tax laws, including, but not limited to, the following: (a) reducing the federal corporate income tax rate from 35% to a flat 21%, effective January 1, 2018, (b) including two new U.S. tax base erosion provisions and the global intangible low-taxed income ("GILTI") provisions and (c) expanding the number of individuals whose compensation is subject to a $1.0 million cap on deductibility under Section 162(m) and includes performance-based compensation such as stock options and stock appreciation rights in the calculation. As a result of the rate reduction, the Company recorded a provisional amount related to the remeasurement of the Company's deferred tax balance as of October 31, 2018 of $10,295,000.

The Company applied the guidance in Staff Accounting Bulletin No. 118 (“SAB 118”) when accounting for the enactment-date effects of the 2017 Act throughout fiscal year 2018. Upon further analysis of certain aspects of the 2017 Act and refinement of the calculations during the 12 months ended January 31, 2019, the Company completed its evaluation for all of the enactment-date income tax effects of the 2017 Act and no material adjustments were made on the provisional amounts recorded at January 31, 2018.

16. Retirement Plans

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

The Plan is funded consistent with the funding requirements of federal law and regulations. There were funding contributions of $600,000 and $600,000 for fiscal years 2019 and 2018, respectively. Plan assets are invested in a group trust consisting primarily of pooled funds, mutual funds, short-term investment funds and cash.

The investment policy and strategy 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 Plan funding at a reasonable level. The long-term target asset allocations are Domestic Equity 30%, International Equity 10% and Fixed Income 60%.

16. Retirement Plans (continued)

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 net periodic benefit cost.

The components of net periodic benefit cost for the Plan for fiscal years 2019 and 2018 were as follows (in thousands):

	2019	2018
Administrative expenses	$ 188	$ 254
Interest cost	828	770
Expected return on plan assets	(1,088)	(1,071)
Prior service cost	45	45
Amortization of net loss	402	700
Net periodic benefit cost	$ 375	$ 698

Following is a summary of the Plan's funded status as of October 31 (in thousands):

	2019	2018
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 19,641	$ 22,268
Administrative expenses	188	254
Interest cost	828	770
Benefits paid	(1,453)	(1,555)
Actuarial loss (gain)	3,063	(2,096)
Benefit obligation at end of year	$ 22,267	$ 19,641
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 17,237	$ 18,410
Actual return on plan assets	2,845	(218)
Employer contributions	600	600
Benefits paid	(1,453)	(1,555)
Fair value of plan assets at end of year	$ 19,229	$ 17,237
Reconciliation of funded status:		
Fair value of plan assets	$ 19,229	$ 17,237
Benefit obligations	22,267	19,641
Net plan obligations	$ (3,038)	$ (2,404)
Amounts recognized in statements of financial position:		
Noncurrent assets	$ —	$ —
Current liabilities	—	—
Noncurrent liabilities	(3,038)	(2,404)
Net obligation recognized in statements of financial position	$ (3,038)	$ (2,404)
Reconciliation of amounts recognized in statements of financial position:		
Prior service cost	$ (189)	$ (233)
Net loss	(6,322)	(5,418)
Accumulated other comprehensive loss	(6,511)	(5,651)
Accumulated contributions in excess of net periodic benefit cost	3,473	3,247
Net deficit recognized in statements of financial position	$ (3,038)	$ (2,404)

16. Retirement Plans (continued)

Presented below are changes in accumulated other comprehensive income, before tax, in the Plan as of October 31, (in thousands):

	2019	2018
Changes recognized in other comprehensive income:		
Net loss (gain) arising during the year	$ 1,306	$ (807)
Amortization of prior service cost	(45)	(45)
Amortization of net loss	(402)	(700)
Total recognized in other comprehensive income	$ 859	$ (1,552)
Total recognized in net periodic benefit and other comprehensive income	$ 1,234	$ (854)

Presented below is the October 31, year-ended estimated amount that will be amortized from accumulated other comprehensive income over the next fiscal year (in thousands):

	2019
Initial net asset (obligation)	$ —
Prior service cost	(45)
Net loss	(739)
Total	$ (784)

The following assumptions, as of October 31, were used in determining benefit obligations and net periodic benefit cost ($ in thousands):

	2019	2018
Weighted-average assumptions used to determine benefit obligations:		
Discount rate	3.00%	4.40%
Assumptions used to determine net periodic benefit cost:		
Discount rate	4.40%	3.60%
Expected return on plan assets	6.31%	6.21%
Additional year-end information:		
Projected benefit obligation	$ 22,267	$ 19,641
Accumulated benefit obligation	$ 22,267	$ 19,641
Fair value of plan assets	$ 19,229	$ 17,237

Benefit payments are expected to be paid over the next 10 fiscal years as follows (in thousands):

2020	$ 1,251
2021	1,249
2022	1,268
2023	1,313
2024	1,332
Next five years	6,566
	$ 12,979

16. Retirement Plans (continued)

The following table sets forth the Plan's assets as of October 31, 2019, segregated by level using the hierarchy established by FASB ASC 820, Fair Value Measurements and Disclosures (in thousands):

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 134	$ —	$ —	$ 134
Mutual funds	1,189	—	—	1,189
Pooled funds	—	17,906	—	17,906
	$ 1,323	$ 17,906	$ —	$ 19,229

The Company has a 401(k) plan in which it contributes an amount equal to 4% of an eligible employee's annual earnings beginning after one year of employment. Employees may elect to defer up to 100% of their annual earnings subject to Internal Revenue Code limits. The Company makes an additional matching contribution on these deferrals up to 4% of the 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 2019, 2018 and 2017, the Company contributed to the plan and recognized expenses of $927,000, $823,000 and $774,000, respectively.

17. Operating Lease Income

The Company rents certain of its assets under net operating lease agreements ranging from one month to 18 years. The cost of land subject to agricultural land leases was $1,279,000 at October 31, 2019. The total cost and accumulated depreciation of buildings, equipment and building improvements subject to leases was $22,841,000 and $7,551,000, respectively, at October 31, 2019. The Company's rental operations revenue includes contingent rental revenue of $355,000, $324,000 and $251,000 for fiscal years 2019, 2018 and 2017, respectively.

The future minimum lease payments to be received by the Company related to these net operating lease agreements as of October 31, 2019, are as follows (in thousands):

2020	$ 477
2021	246
2022	129
2023	84
2024	39
Thereafter	311
	$ 1,286

18. Commitments and Contingencies

Operating Leases

The Company has operating leases for agricultural land and packinghouse equipment. Total lease expense for fiscal years 2019, 2018 and 2017 was $733,000, $2,028,000 and $1,878,000, respectively, which is included in agribusiness costs and expenses in the Company's consolidated statements of operations.

In October 2018, the Company purchased a 1,000 KW photovoltaic generator for $1,125,000 that was previously under a 10-year operating lease agreement with Farm Credit West. In December 2018, the Company purchased another 1,000 KW photovoltaic generator for $1,275,000 that was previously under a 10-year operating lease agreement with Farm Credit West.

Minimum future lease payments are as follows (in thousands):

18. Commitments and Contingencies (continued)

Operating Leases (continued)

2020	$	688
2021		492
2022		291
2023		154
2024		134
Thereafter		1,382
	$	3,141

In addition to operating lease commitments, the Company also has a contract for pollination services with minimum future payments of $325,000 for each of the years 2020 - 2022 and $54,000 in 2023.

Letters of Credit

The Company utilizes standby letters of credit to satisfy workers' compensation insurance security deposit requirements. At October 31, 2019, there were no outstanding letters of credit.

Litigation and Legal Proceedings

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.

19. Series B and Series B-2 Preferred Stock

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 $100.00 par value (the "Series B Stock").

Dividends: The holders of shares of Series B Stock are 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.

Voting Rights: Each holder of Series B Stock is entitled to ten votes 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 August 1, 2017 and before July 31, 2027, at a redemption price equal to the par value thereof, plus accrued and unpaid dividends thereon to the date fixed for redemption. Redemption by the Company of a portion of the Series B Stock totaling 14,790 shares is subject to certain conditions agreed upon between the Company and the holders of this portion of the Series B Stock.

Conversion: The holders of Series B Stock 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 is $8.00 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.

Put: The holders of Series B Stock may at any time after July 1, 2017 and before June 31, 2027 cause the Company to repurchase such shares at a repurchase price equal to the par value thereof, plus accrued and unpaid dividends thereon to the date fixed for repurchase. The put features of a portion of the Series B Stock totaling 14,790 shares are subject to certain conditions agreed upon between the Company and the holders of this portion of the Series B Stock.

Because the Series B Stock may be redeemed by holders of the shares at their discretion beginning July 1, 2017, the redemption is outside the control of the Company and accordingly, the Series B Stock has been classified as temporary equity.

19. Series B and Series B-2 Preferred Stock (continued)

Series B Convertible Preferred Stock (continued)

In fiscal year 2017, a total of 14,210 shares of Series B preferred stock were converted into 177,624 shares of common stock. In fiscal year 2016, 500 shares of Series B preferred stock were converted into 6,250 shares of common stock. In fiscal year 2015, 500 shares of Series B preferred stock were converted into 6,250 shares of common stock.

Series B-2 Convertible Preferred Stock

During March and April of 2014, pursuant to a Series B-2 Stock Purchase Agreement dated March 21, 2014, the Company issued an aggregate of 9,300 shares of Series B-2, 4% voting preferred stock with a par value of $100.00 per share ("Series B-2 Preferred Stock") to WPI-ACP Holdings, LLC ("WPI"), an entity affiliated with WAM for total proceeds of $9,300,000. The transactions were exempt from the registration requirements of the Securities Act of 1933, as amended. The Series B-2 Preferred Stock has the following rights, preferences, privileges, and restrictions:

Conversion: Each share of the Series B-2 Preferred Stock is convertible into common stock at a conversion price equal to the greater of (a) the then-market price of the Company's common stock based upon the closing price of the Company's common stock on The NASDAQ Stock Market, LLC or on such other principal market on which the Company's common stock may then be trading and (b) $15.00 per share of common stock. Shares of the Series B-2 Preferred Stock may be converted into common stock (i) at any time prior to the redemption thereof, or (ii) in the event the Option Agreement (as defined below) is terminated without all of the shares of Series B-2 Preferred Stock having been redeemed, within 30 calendar days following such termination.

Dividends: The holder of shares of the Series B-2 Preferred Stock is entitled to receive cumulative cash dividends at an annual rate of 4% of the liquidation value of $1,000 per share. Such dividends are payable quarterly on the first day of January, April, July and October in each year.

Liquidation Rights: In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, the holder of shares of the Series B-2 Preferred Stock is entitled to be paid out of the assets available for distribution, before any payment is made to the holders of the Company's common stock or any other series or class of the Company's shares ranking junior to the Series B-2 Preferred Stock, an amount equal to the liquidation value of $1,000 per share, plus an amount equal to all accrued and unpaid dividends.

Voting Rights: Each share of Series B-2 Preferred Stock is entitled to one vote on all matters submitted to a vote of the Company's stockholders.

Redemption: The Company may redeem shares of Series B-2 Preferred Stock only (i) from WPI or its designee and (ii) upon, and to the extent of, an election to exercise the option pursuant to the Option Agreement, described below, at a redemption price equal to the liquidation value of $1,000 per share plus accrued and unpaid dividends.

Because the Series B-2 Preferred Stock may be redeemed by WPI at its discretion with the exercise of the Option Agreement, the redemption is outside the control of the Company and accordingly, the Series B-2 Preferred Stock has been classified as temporary equity.

In connection with the sale of the Series B-2 Preferred Stock, Associated Citrus Packers, Inc. ("Associated") and another affiliate of WAM ("WPI-ACP"), entered into a series of agreements related to the future ownership and disposition of farmland with associated Colorado River water rights and other real estate that is held by Associated in Yuma, Arizona. The agreements allow the parties to explore strategies that will make the highest and best use of those assets, including but not limited to the sale or lease of assets or the expansion of a fallowing and water savings program in which a portion of Associated's property is currently enrolled.

The net proceeds of any monetization event would be shared equally by the parties. The agreements entered into include a Water Development Agreement and an Option Agreement. Pursuant to the Water Development Agreement, Associated granted WPI-ACP exclusive rights to develop water assets attributable to the real estate owned by Associated for the mutual benefit of Associated and WAM. Pursuant to the Option Agreement, Associated granted WPI-ACP an option to purchase an undivided interest of up to one-half of the real estate owned by Associated in Yuma County, Arizona (the "Property") and the water rights associated therewith until January 1, 2026. The purchase price for the Property subject to the Option Agreement will be paid via the redemption by the Company of a proportionate percentage of the Series B-2 Preferred Stock. Unless and until a definitive agreement or definitive agreements with respect to Associated's real estate and water rights is entered into that would cause the cessation of farming operations, Associated expects to continue farming the Property and recognize all results of operations and retain all proceeds from such operations.

20. Stockholders' Equity

Series A Junior Participating Preferred Stock and 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 designated 20,000 shares of preferred stock as Series A Junior Participating Preferred Stock at $0.01 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 occurred, the Board of Directors had the option to allow rights holders to exercise their rights. The shareholder rights agreement, and the rights thereunder, expired by its terms on December 19, 2016.

Stock-based compensation

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

Performance Awards

Certain restricted stock grants are made to management each December under the Stock Plan based on the achievement of certain annual financial performance and other criteria achieved during the previous fiscal year ("Performance Awards"). The performance grants are based on a percentage of the employee's base salary divided by the stock price on the grant date once the performance criteria has been met, and generally vest over a two-year period as service is provided. During December 2019, there were no Performance Awards of restricted stock granted for fiscal year 2019 performance because the financial performance and other criteria were not met.

Executive Awards

Certain restricted stock grants are made to key executives under the Stock Plan ("Executive Awards"). These grants generally vest over a three to five-year period as service is provided. During December 2019, subsequent to fiscal year 2019, the Company granted 95,000 shares of common stock with a per share price of $20.31 to key executives under the Stock Plan. The related compensation expense of approximately $1,929,000 will be recognized equally over the next three years as the shares vest.

Director Awards

The Company issues shares of common stock to non-employee directors under the Stock Plan on an annual basis that vest upon grant ("Director Awards").

A summary of the Performance, Executive, and Director awards granted under the Stock Plan during fiscal years 2019, 2018 and 2017, and the weighted average grant price is as follows:

	Year Ended October 31,					
	2019		2018		2017	
	Number of Shares	Weighted-Average Grant Price	Number of Shares	Weighted-Average Grant Price	Number of Shares	Weighted-Average Grant Price
Performance Awards	40,095	$ 18.74	41,291	$ 22.86	44,688	$ 19.92
Executive Awards	90,000	$ 19.84	90,000	$ 22.19	—	$ —
Director Awards	15,642	$ 21.65	14,033	$ 22.00	18,956	$ 17.02
Total	145,737	$ 19.73	145,324	$ 22.36	63,644	$ 19.06

20. Stockholders' Equity (continued)

Stock-based compensation (continued)

The Company recognized $1,791,000, $1,368,000 and $1,328,000 of stock-based compensation in fiscal years 2019, 2018 and 2017, respectively, of which substantially all of the expense has been included in selling, general and administrative expenses for all years presented. Forfeitures are accounted for in the period that the forfeiture occurs. The income tax benefit recognized in the income statement for stock-based compensation arrangements was $324,000, $328,000 and $368,000 for fiscal years 2019, 2018 and 2017, respectively. The total fair value of shares vested during the years ended October 31, 2019, 2018 and 2017 was $1,788,000, $1,238,000 and $199,000 respectively. The Company has unrecognized stock-based compensation expense of $2,460,000 as of October 31, 2019, which is expected to be recognized over the next three years as the shares vest. All unvested shares are expected to vest.

During fiscal years 2019, 2018 and 2017, respectively, members of management exchanged 36,627, 24,252 and 14,773 shares of common stock with fair values of $606,000, $570,000 and $294,000, at the dates of the exchanges, for the payment of payroll taxes associated with the vesting of shares under the Company's stock-based compensation programs. Additionally, in fiscal year 2018, the Company repurchased 15,330 shares from a retired member of management for $86,000 per the terms of a discontinued stock plan.

A summary of the status of the Company's nonvested shares as of October 31, 2019, and changes during the year ended October 31, 2019, is presented below.

	Number of Shares	Weighted-Average Grant Price
Nonvested at October 31, 2018	126,282	$ 22.04
Vested	(85,271)	$ 20.97
Granted	130,095	$ 19.50
Nonvested at October 31, 2019	171,106	$ 20.64

Dividend

On December 17, 2019, the Company declared a $0.075 per share dividend which is to be paid on January 15, 2020 in the aggregate amount of $1,332,000 to common shareholders of record as of December 30, 2019.

21. Public Offering of Common Stock

In June 2018, the Company completed the sale of an aggregate of 3,136,362 shares of our common stock, at a price of $22.00 per share, to a limited number of institutional and other investors in a registered offering under the shelf registration statement. The offering represented 18% of our outstanding common stock on an after-issued basis as of June 25, 2018. Upon completion of the offering and issuance of common stock, the Company had 17,669,314 shares of common stock outstanding. The gross proceeds of the offering totaled $69,000,000 and after an underwriting discount of $4,485,000 and other offering expenses of $418,000, the net proceeds received by the Company were $64,097,000.

22. Fruit Growers Supply Cooperative

The Company is a member of Fruit Growers Supply ("FGS"), a cooperative supply corporation. FGS is the manufacturing and supply affiliate of Sunkist. FGS allocates after-tax earnings derived from non-member business to members. The allocations may then be disbursed to members as dividends no less than five years after allocation. As of October 31, 2019 and 2018, the Company has been allocated $729,000; however, the declaration of dividends is subject to approval by the FGS Board of Directors and members may receive amounts less than those originally allocated. The Company records allocations disbursed by FGS as reductions of agribusiness expenses. The Company received no dividends in fiscal years 2019, 2018 or 2017.

During September 2011, the Company settled a claim with Sunkist in which Sunkist requested a refund of $586,000 of fiscal year 2010 lemon by-products revenue. The Company assigned 50% of future dividends it receives from FGS up to the amount of claim in the unconditional settlement of the claim. The balance of the claim as of October 31, 2019 was $251,000.

23. Segment Information

The Company operates in six reportable operating segments: fresh lemons, lemon packing, avocados, other agribusiness, 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 fresh lemons segment includes sales, farming and harvesting expenses and third-party grower costs relative to fresh lemons. The lemon packing segment includes packing revenues and shipping and handling revenues relative to lemon packing. The lemon packing segment expenses are comprised of lemon packing costs. The lemon packing segment revenues include inter-segment revenues between fresh lemons and lemon packing. The inter-segment revenues are included gross in the segment note and a separate line item is shown as an elimination. The avocados segment includes sales, farming and harvest costs. The other agribusiness segment includes sales, farming and harvest costs of oranges, specialty citrus and other crops. 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 does not separately allocate depreciation and amortization to its fresh lemons, lemon packing, avocados and other agribusiness segments. No asset information is provided for reportable segments as these specified amounts are not included in the measure of segment profit or loss reviewed by the Company's chief operating decision maker. The Company measures operating performance, including revenues and operating income, of its operating segments and allocates resources based on its evaluation.

The Company does not allocate selling, general and administrative expense, other income, interest expense and income taxes, or specifically identify them to its operating segments. The Company earns packing revenue for packing lemons grown on its orchards and lemons procured from third-party growers. Intersegment revenues represent packing revenues related to lemons grown on the Company's orchards.

Prior to October 31, 2017, the Company combined its fresh lemons and lemon packing segments into one reportable segment called lemon operations. During 2017, following the completion and start-up activities of its new lemon packinghouse in 2016, the Company and its chief operating decision maker have emphasized the strategic importance and financial performance of its lemon packing operations and expanded processing volume with a focus on increasing the quantity of lemons procured from third-party growers. As a result, during the fourth quarter of 2017, the Company separated its lemon operations segment into two segments: fresh lemons and lemon packing. This change was made to align operating segments with the basis that the chief operating decision maker uses to review financial information to make decisions, assess performance, develop strategy and allocate capital resources. Additionally, the Company determined that avocados, which was previously aggregated in the other agribusiness segment, should be a separate reportable segment based upon the Company's chief operating decision maker's review of its operating results.

Segment information for fiscal year 2019 (in thousands):

	Fresh Lemons (1)	Lemon Packing	Eliminations	Avocados	Other Agribusiness	Total Agribusiness	Rental Operations	Real Estate Development	Corporate and Other	**Total**
Revenues from external customers	$ 134,342	$ 15,629	$ —	$ 5,391	$ 11,187	$ 166,549	$ 4,849	$ —	$ —	$ 171,398
Intersegment revenue	—	30,073	(30,073)	—	—	—	—	—	—	—
Total net revenues	134,342	45,702	(30,073)	5,391	11,187	166,549	4,849	—	—	171,398
Costs and expenses	120,998	37,639	(30,073)	3,150	13,035	144,749	3,552	128	19,850	168,279
Depreciation and amortization	—	—	—	—	—	7,623	759	—	251	8,633
Operating income (loss)	$ 13,344	$ 8,063	$ —	$ 2,241	$ (1,848)	$ 14,177	$ 538	$ (128)	$ (20,101)	$ (5,514)

23. Segment Information (continued)

Segment information for fiscal year 2018 (in thousands):

	Fresh Lemons	Lemon Packing	Eliminations	Avocados	Other Agribusiness	Total Agribusiness	Rental Operations	Real Estate Development	Corporate and Other	**Total**
Revenues from external customers	$ 94,840	$ 8,990	$ —	$ 6,576	$ 13,938	$ 124,344	$ 5,048	$ —	$ —	$ 129,392
Intersegment revenue	—	19,971	(19,971)	—	—	—	—	—	—	—
Total net revenues	94,840	28,961	(19,971)	6,576	13,938	124,344	5,048	—		129,392
Costs and expenses	74,809	23,071	(19,971)	4,399	9,531	91,839	3,307	1,685	15,800	112,631
Depreciation and amortization	—	—	—	—	—	6,244	778	—	253	7,275
Operating income	$ 20,031	$ 5,890	$ —	$ 2,177	$ 4,407	$ 26,261	$ 963	$ (1,685)	$ (16,053)	$ 9,486

Segment information for fiscal year 2017 (in thousands):

	Fresh Lemons	Lemon Packing	**Eliminations**	**Avocados**	Other Agribusiness	Total Agribusiness	Rental Operations	Real Estate Development	Corporate and Other	**Total**
Revenues from external customers	$ 85,439	$ 8,760	$ —	$ 9,522	$ 12,148	$ 115,869	$ 5,440	$ —	$ —	$ 121,309
Intersegment revenue	—	19,156	(19,156)	—	—	—	—	—	—	—
Total net revenues	85,439	27,916	(19,156)	9,522	12,148	115,869	5,440	—	—	121,309
Costs and expenses	67,414	21,567	(19,156)	4,136	11,712	85,673	3,170	405	13,731	102,979
Depreciation and amortization	—	—	—	—	—	5,489	762	—	216	6,467
Operating income	$ 18,025	$ 6,349	$ —	$ 5,386	$ 436	$ 24,707	$ 1,508	$ (405)	$ (13,947)	$ 11,863

23. Segment Information (continued)

The following table sets forth revenues by category, by segment for fiscal years 2019, 2018 and 2017 (in thousands):

	Year Ended October 31,		
	2019	2018	2017
Fresh lemon	$ 134,342	$ 94,840	$ 85,439
Lemon packing	45,702	28,961	27,916
Intersegment revenue	(30,073)	(19,971)	(19,156)
Lemon revenues	149,971	103,830	94,199
Avocados	5,391	6,576	9,522
Navel and Valencia oranges	6,022	8,884	7,099
Specialty citrus and other crops	5,165	5,054	5,049
Other agribusiness revenues	11,187	13,938	12,148
Agribusiness revenues	166,549	124,344	115,869
Residential and commercial rentals	3,544	3,472	3,589
Leased land	951	1,252	1,440
Organic recycling and other	354	324	411
Rental operations revenues	4,849	5,048	5,440
Real estate development revenues	—	—	—
Total revenues	$ 171,398	$ 129,392	$ 121,309

(1) During the first quarter of fiscal 2019, the Company adopted a comprehensive new revenue recognition standard using a modified retrospective method that does not restate prior periods to be comparable to the current period presentation. The adoption of this guidance primarily impacted the presentation of certain brokered fruit sales revenue received and the related cost of fruit incurred by us. The adoption of this guidance resulted in additional revenue and costs and expenses within our fresh lemon segment of $8,800,000, respectively, during the fiscal year 2019. See Note 2 - Summary of Significant Accounting Policies for additional information.

24. Subsequent Events

The Company has evaluated events subsequent to October 31, 2019 through the date of this filing, to assess the need for potential recognition or disclosure in this Annual Report. Based upon this evaluation, except as disclosed in the notes to consolidated financial statements, it was determined that no other subsequent events occurred that require recognition or disclosure in the consolidated financial statements.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures. As of October 31, 2019, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) promulgated under the Exchange Act. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Annual Report.

Internal Control over Financial Reporting. Refer to "Management's Report on Internal Control over Financial Reporting" on page 59 and "Reports of Independent Registered Public Accounting Firm" on pages 60-62.

Changes in Internal Control over Financial Reporting. There have been no significant changes in our internal control over financial reporting during the quarter ended October 31, 2019 or, to our knowledge, in other factors that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

Acquisition of Trapani Fresh. We have excluded Trapani Fresh's operations from our management's report on internal control over financial reporting as we continue to evaluate their internal controls. This exclusion is in accordance with the general guidance issued by the Staff of the SEC that an assessment of a recent business combination may be omitted from management's report on internal control over financial reporting in the first year of consolidation.

Item 9B. Other Information

None.

PART III

Certain information required by Part III is omitted from this Annual Report because we will file a definitive Proxy Statement for the Annual Meeting of Stockholders pursuant to Regulation 14A of the Exchange Act (the "Proxy Statement"), not later than 120 days after the end of the fiscal year covered by this Annual Report, and the applicable information included in the Proxy Statement is incorporated herein by reference.

Item 10. Directors, Executive Officers, and Corporate Governance

The information required by this item is incorporated herein by reference to the Proxy Statement.

Item 11. Executive Compensation

The information required by this Item is incorporated herein by reference to the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item is incorporated herein by reference to the Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item is incorporated herein by reference to the Proxy Statement.

Item 14. Principal Accounting Fees and Services

The information required by this Item is incorporated herein by reference to the Proxy Statement.

Part IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) **Financial Statements**

Management's Report on Internal Control over Financial Reporting

Reports of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting

Reports of Independent Registered Public Accounting Firms

Consolidated Financial Statements of Limoneira Company

Consolidated Balance Sheets at October 31, 2019 and 2018

Consolidated Statements of Operations for the years ended October 31, 2019, 2018 and 2017

Consolidated Statements of Comprehensive (Loss) Income for the years ended October 31, 2019, 2018 and 2017

Consolidated Statements of Stockholders' Equity and Temporary Equity for the years ended October 31, 2019, 2018 and 2017

Consolidated Statements of Cash Flows for the years ended October 31, 2019, 2018 and 2017

Notes to Consolidated Financial Statements

(b) **Exhibits**

See "Exhibit Index" set forth on page 108.

Item 16. Form 10-K Summary

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on January 13, 2020.

LIMONEIRA COMPANY

By: /s/ Harold S. Edwards
Harold S. Edwards
Director, President and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below on January 13, 2020, by the following persons on behalf of the registrant and in the capacities indicated:

Signature	Title
/s/ Gordon E. Kimball Gordon E. Kimball	Chairman of the Board of Directors
/s/ Harold S. Edwards Harold S. Edwards	Director, President and Chief Executive Officer (Principal Executive Officer)
/s/ Mark Palamountain Mark Palamountain	Chief Financial Officer, Treasurer and Corporate Secretary (Principal Financial and Accounting Officer)
/s/ Elizabeth Blanchard Chess Elizabeth Blanchard Chess	Director
/s/ John W.H. Merriman John W.H. Merriman	Director
/s/ Edgar Terry Edgar Terry	Director
/s/ Donald R. Rudkin Donald R. Rudkin	Director
/s/ Robert M. Sawyer Robert M. Sawyer	Director
/s/ Scott S. Slater Scott S. Slater	Director

EXHIBIT INDEX

Exhibit No.	Description
2.1	Certificate of Merger of Limoneira Company and The Samuel Edwards Associates into Limoneira Company, dated October 31, 1990 (Incorporated by reference to exhibit 3.2 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))
2.2	Certificate of Merger of McKevett Corporation into Limoneira Company dated December 31, 1994 (Incorporated by reference to exhibit 3.3 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))
2.3	Agreement of Merger Between Ronald Michaelis Ranches, Inc. and Limoneira Company, dated June 24, 1997 (Incorporated by reference to exhibit 3.6 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))
3.1	Restated Certificate of Incorporation of Limoneira Company, dated July 5, 1990 (Incorporated by reference to exhibit 3.1 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))
3.2	Certificate of Amendment of Certificate of Incorporation of Limoneira Company, dated April 22, 2003 (Incorporated by reference to exhibit 3.7 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))
3.3	Certificate of Amendment of Certificate of Incorporation of Limoneira Company, dated March 24, 2010 (Incorporated by reference to exhibit 3.9 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))
3.4	Certificate of Amendment of Certificate of Incorporation of Limoneira Company, dated March 29, 2017 (Incorporated by reference to exhibit 3.1 to the Company's Current Report on Form 8-K, filed March 31, 2017 (File No. 001-34755))
3.5	Amended and Restated Bylaws of Limoneira Company (Incorporated by reference to exhibit 3.10 to the Company's Annual Report on Form 10-K, filed January 14, 2013 (File No. 001-34755))
3.5.1	Amendment to Amended and Restated Bylaws of Limoneira Company (Incorporated by reference to exhibit 3.1 to the Company's Current Report on Form 8-K, filed September 25, 2013 (File No. 001-34755))
3.5.2	Amendment to Amended and Restated Bylaws of Limoneira Company (Incorporated by reference to exhibit 3.1 to the Company's Current Report on Form 8-K, filed December 18, 2014 (File No. 001-34755))
3.5.3	Amendment to Amended and Restated Bylaws of Limoneira Company (Incorporated by reference to exhibit 3.1 to the Company's Current Report on Form 8-K, filed January 25, 2017 (File No. 001-34755))
3.5.4	Amendment to Amended and Restated Bylaws of Limoneira Company (Incorporated by reference to exhibit 3.1 to the Company's Current Report on Form 8-K, filed July 26, 2017 (File No. 001-34755))
4.1	Specimen Certificate representing shares of Common Stock, par value $0.01 per share (Incorporated by reference to exhibit 4.1 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))
4.2	Rights Agreement dated December 20, 2006 between Limoneira Company and The Bank of New York, as Rights Agent (Incorporated by reference to exhibit 4.2 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))

Exhibit No.	Description
4.3	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock, $.01 Par Value, of Limoneira Company, dated November 21, 2006 (Incorporated by reference to exhibit 3.8 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))
4.4	Certificate of Designation, Preferences and Rights of $8.75 Voting Preferred Stock, $100.00 Par Value, Series B of Limoneira Company, dated May 21, 1997 (Incorporated by reference to exhibit 3.4 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))
4.5	Amended Certificate of Designation, Preferences and Rights of $8.75 Voting Preferred Stock, $100.00 Par Value, Series B of Limoneira Company, dated May 21, 1997 (Incorporated by reference to exhibit 3.4 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))
4.6	Certificate of Designation, Preferences and Rights of 4% Voting Preferred Stock, $100.00 Par Value, Series B-2 of Limoneira Company, dated March 20, 2014 (Incorporated by reference to exhibit 3.1 to the Company's Current Report on Form 8-K, filed March 24, 2014 (File No. 001-34755))
4.7*	Description of Securities
10.1	Real Estate Advisory Management Consultant Agreement dated April 1, 2004, by and between Limoneira Company and Parkstone Companies (Incorporated by reference to exhibit 10.1 of the Company's Current Report on Form 8-K, filed August 25, 2010 (File No. 001-34755))
10.2	Amendment No. 1 to Real Estate Advisory Management Consultant Agreement dated August 24, 2010, by and between Limoneira Company and Parkstone Companies (Incorporated by reference to exhibit 10.2 of the Company's Current Report on Form 8-K, filed August 25, 2010 (File No. 001-34755))
10.3	Avocado Marketing Agreement effective February 8, 2003, by and between Calavo Growers, Inc. and Limoneira Company, as amended (Incorporated by reference to exhibit 10.2 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))
10.4	Stock Purchase Agreement dated June 1, 2005, between Limoneira Company and Calavo Growers, Inc. (Incorporated by reference to exhibit 10.3 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))
10.5	Standstill Agreement dated June 1, 2005, between Limoneira Company and Calavo Growers, Inc. (Incorporated by reference to exhibit 10.4 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))
10.6	Standstill Agreement dated June 1, 2005 between Calavo Growers, Inc. and Limoneira Company (Incorporated by reference to exhibit 10.5 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))
10.7	Lease Agreement dated February 15, 2005, between Limoneira Company and Calavo Growers, Inc. (Incorporated by reference to exhibit 10.6 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))
10.8	Amended and Restated Line of Credit Agreement dated December 15, 2008, by and between Limoneira Company and Rabobank, N.A. (Incorporated by reference to exhibit 10.7 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))

Exhibit No.	Description
10.9	Amendment to Amended and Restated Line of Credit Agreement, dated May 12, 2009, between Limoneira Company and Rabobank, N.A. (Incorporated by reference to exhibit 10.8 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))
10.10	Second Amendment to Amended and Restated Line of Credit Agreement, dated November 14, 2011, between Limoneira Company and Rabobank N.A. (Incorporated by reference to exhibit 10.1 of the Company's Current Report on Form 8-K, filed November 17, 2011 (File No. 001-34755))
10.11	Third Amendment to Amended and Restated Line of Credit Agreement, dated March 19, 2014, between Limoneira Company and Rabobank N.A. (Incorporated by reference to exhibit 10.1 of the Company's Current Report on Form 8-K, filed April 2, 2014 (File No. 001-34755))
10.12	Revolving Equity Line of Credit Promissory Note and Loan Agreement, dated October 28, 1997, between Limoneira Company and Farm Credit West, FLCA (as successor by merger to Central Coast Federal Land Bank Association) (Incorporated by reference to exhibit 10.9 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))
10.13	Promissory Note and Loan Agreement, dated April 23, 2007, between Farm Credit West, FLCA and Limoneira Company (Incorporated by reference to exhibit 10.10 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))
10.14	Promissory Note and Loan Agreement, dated September 23, 2005, among Farm Credit West, FLCA and Windfall Investors, LLC (Incorporated by reference to exhibit 10.12 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))
10.15	Master Loan Agreement, dated May 1, 2012, between Limoneira Company and Farm Credit West, PCA (Incorporated by reference to exhibit 10.2 to the Company's Current Report on Form 8-K, filed May 2, 2012 (File No. 001-34755))
10.16	Promissory Note and Supplement to Master Loan Agreement, dated May 1, 2012, between Limoneira Company and Farm Credit West, PCA (Incorporated by reference to exhibit 10.1 to the Company's Current Report on Form 8-K filed, May 2, 2012 (File No. 001-34755))
10.17†	Limoneira Company Amended and Restated 2010 Omnibus Incentive Plan, as amended on March 28, 2017 (Incorporated by reference to exhibit 10.1 to the Company's Current Report on Form 8-K, filed March 31, 2017 (File No. 001-34755))
10.18†	Limoneira Company Management Incentive Plan 2009-2010 (Incorporated by reference to exhibit 10.16 of the Company's Form 10-K, filed January 26, 2011 (File No. 001-34755))
10.19†	Limoneira Stock Grant Performance Bonus Plan (Incorporated by reference to exhibit 10.15 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))
10.20	Pre-Annexation and Development Agreement, dated March 3, 2008, by and between the City of Santa Paula and Limoneira Company (Incorporated by reference to exhibit 10.20 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))
10.21	Judgment, dated March 7, 1996, United Water Conservation Dist. v. City of San Buenaventura, et al., Case No. 115611, Superior Court of the State of California, Ventura County (Incorporated by reference to exhibit 10.24 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))

Exhibit No.	Description
10.22	Agricultural Land Lease, dated January 6, 2012 and effective January 1, 2012, by and between Limoneira Company and the C. V. Sheldon Family Limited Partnership (Incorporated by reference to exhibit 10.1 of the Company's Current Report on Form 8-K, filed January 11, 2012 (File No. 001-34755))
10.23	Agricultural Land Lease, dated January 6, 2012 and effective January 1, 2012, by and between Limoneira Company and the CH Sheldon LP (Incorporated by reference to exhibit 10.2 of the Company's Current Report on Form 8-K, filed January 11, 2012 (File No. 001-34755))
10.24	Agricultural Land Lease, dated January 6, 2012 and effective January 1, 2012, by and between Limoneira Company and Charles W. T. Sheldon (Incorporated by reference to exhibit 10.3 of the Company's Current Report on Form 8-K, filed January 11, 2012 (File No. 001-34755))
10.25	Agricultural Land Lease, dated January 6, 2012 and effective January 1, 2012, by and between Limoneira Company and Paul N. Sheldon Family Trust, U/D/T 10-27-06 (Incorporated by reference to exhibit 10.4 of the Company's Current Report on Form 8-K, filed January 11, 2012 (File No. 001-34755))
10.26	Agricultural Land Lease, dated January 6, 2012 and effective January 1, 2012, by and between Limoneira Company and Sheldon Family Revocable Trust, U/D/T 1-31-10 (Incorporated by reference to exhibit 10.5 of the Company's Current Report on Form 8-K, filed January 11, 2012 (File No. 001-34755))
10.27	Agricultural Land Lease, dated January 6, 2012 and effective January 1, 2012, by and between Limoneira Company and Katherine J. Sheldon as Trustee of the Katherine J. Sheldon Trust (Incorporated by reference to exhibit 10.6 of the Company's Current Report on Form 8-K, filed January 11, 2012 (File No. 001-34755))
10.28	Option Agreement, dated February 27, 2013, by and among the Company, Jason B. Rushing as Trustee of the Jason B. Rushing Trust, Jennifer R. Rushing as trustee for the Jennifer R. Rushing Revocable trust, Zella A. Rushing as trustee of the 1988 Zella Rushing Trust (Incorporated by reference to exhibit 10.1 of the Company's Quarterly Report on Form 10-Q, filed June 10, 2013 (File No. 001-34755))
10.29	Purchase and Sale Agreement and Escrow Instructions, dated April 8, 2013, by and among HM East Ridge LLC, Limoneira Company and IPDC construction, Inc., (Incorporated by reference to exhibit 10.1 to the Current Report on Form 8-K, filed April 12, 2013 (File No. 001-34755))
10.30	Lease Agreement, dated July 1, 2013, by and between the Company and Cadiz, Inc. (Incorporated by reference to exhibit 10.1 to the Current Report on Form 8-K, filed July 2, 2013 (File No. 001-34755))
10.31	Cadiz-Limoneira Amended and Restated Lease, dated February 3, 2015, by and between Cadiz Real Estate LLC and Limoneira Company (Incorporated by reference to exhibit 10.1 of the Company's Quarterly Report on Form 10-Q, filed March 9, 2015 (File No. 001-34755)).
10.32	Agreement and Plan of Merger, dated September 6, 2013, by and among Limoneira Company, ACP Merger Sub, Inc., Associated Citrus Packers, Inc., and Mark Spencer, as the Shareholder Representative defined therein (Incorporated by reference to exhibit 10.1 to the Current Report on form 8-K, filed September 12, 2013 (File No. 001-34755))
10.33	Purchase and Sale Agreement and Joint Escrow Instructions, dated September 27, 2013, by and between Sun World International, LLC and Limoneira Company (Incorporated by reference to exhibit 10.1 to the Current Report on Form 8-K, filed October 15, 2013 (File No. 001-34755))
10.34	Construction Contract and Agreement, dated October 1, 2013, by and between Limoneira Company and NEXGEN Builders, Inc. (Incorporated by reference to exhibit 10.1 to the Current Report on Form 8-K, filed December 4, 2013 (File No. 001-34755))

Exhibit No.	Description
10.35	General Conditions of the Contract and Agreement, dated October 1, 2013, by and between Limoneira company and NEXGEN Builders, Inc. (Incorporated by reference to exhibit 10.2 to the Current Report on Form 8-K, filed December 4, 2013 (File No. 001-34755))
10.36	Purchase and Sale Agreement and Escrow Instructions, dated November 29, 2013, by and between Templeton Santa Barbara, LLC and MI Land, LLC related to the sale of the Sevilla Property (Incorporated by reference to exhibit 10.3 to the Current Report on Form 8-K, filed December 4, 2013 (File No. 001-34755))
10.37	Purchase and Sale Agreement and Escrow Instructions, dated November 29, 2013, by and between Templeton Santa Barbara, LLC and MI Land, LLC related to the sale of the Pacific Crest Property (Incorporated by reference to exhibit 10.4 to the Current Report on Form 8-K, filed December 4, 2013 (File No. 001-34755))
10.38	Series B-2 Preferred Stock Purchase Agreement, dated March 21, 2014, by and between Limoneira Company and WPI-ACP Holdings, LLC (Incorporated by reference to exhibit 10.1 to the Current Report on Form 8-K, filed March 24, 2014 (File No. 001-34755))
10.39	Contribution Agreement, dated September 4, 2015, by and among Limoneira Company and Lewis Santa Paula Member, LLC (Incorporated by reference to exhibit 10.1 to the Company's Current Report on Form 8-K, filed September 10, 2015 (File No. 001-34755))
10.40	First Amended and Restated Limited Liability Company Agreement of Limoneira Lewis Community Builders, LLC, dated November 10, 2015, by and among Limoneira EA1 Land LLC and Lewis Santa Paula Member, LLC (Incorporated by reference to exhibit 10.1 to the Company's Current Report on Form 8-K, filed November 16, 2015 (File No. 001-34755))
10.41	Interim Funding Agreement, dated December 1, 2015, between Limoneira and Wells Fargo Equipment Finance, Inc. (Incorporated by reference to exhibit 10.1 to the Company's Current Report on Form 8-K, filed December 22, 2015 (File No. 001-34755))
10.42	Master Loan and Security Agreement, dated December 1, 2015, between Limoneira Company and Wells Fargo Equipment Finance, Inc. (Incorporated by reference to exhibit 10.1 to the Company's Quarterly Report on Form 10-Q, filed March 10, 2016 (File No. 001-34755))
10.43	Loan Schedule to Master Loan and Security Agreement, dated January 20, 2016, between Limoneira Company and Wells Fargo Equipment Finance, Inc. (Incorporated by reference to exhibit 10.2 to the Company's Quarterly Report on Form 10-Q, filed March 10, 2016 (File No. 001-34755))
10.44	Promissory Note and Loan Agreement, dated February 11, 2016, between Limoneira Company and Farm Credit West, FLCA (Incorporated by reference to exhibit 10.1 to the Company's Current Report on Form 8-K, filed February 18, 2016 (File No. 001-34755)
10.45	Lease Agreement, dated November 10, 2015, by and among Limoneira Company and Limoneira Lewis Community Builders, LLC (Incorporated by reference to exhibit 10.2 to the Company's Current Report on Form 8-K, filed November 16, 2015 (File No. 001-34755)
10.46	Retained Property Development Agreement, dated November 10, 2015, by and among Limoneira Company and Limoneira Lewis Community Builders, LLC (Incorporated by reference to exhibit 10.3 to the Company's Current Report on Form 8-K filed, November 16, 2015 (File No. 001-34755)
10.47†	Form of Award Agreement under the Limoneira Company 2010 Amended and Restated Omnibus Incentive Plan (Incorporated by reference to exhibit 10.8 to the Company's Quarterly Report on Form 10-Q, filed March 10, 2016 (File No. 001-34755))

Exhibit No.	Description
10.48	Master Loan Agreement, dated June 19, 2017, between Limoneira Company and Farm Credit West, FLCA (Incorporated by reference to exhibit 10.1 to the Company's Current Report on Form 8-K, file June 21, 2017 (File No. 001-34755))
10.49	Revolving Credit Facility Promissory Note and Supplement to Master Loan Agreement, dated June 19, 2017, between Limoneira Company and Farm Credit West FLCA (Incorporated by reference to exhibit 10.2 to the Company's Current Report on Form 8-K, filed June 21, 2017 (File No. 001-34755))
10.50	Non-revolving Credit Facility Promissory Note and Supplement to Master Loan Agreement, dated June 19, 2017, between Limoneira Company and Farm Credit West FLCA (Incorporated by reference to exhibit 10.3 to the Company's Current Report on Form 8-K, filed June 21, 2017 (File No. 001-24755))
10.51†	Form of Award Agreement under the Limoneira Company 2010 Amended and Restated Omnibus Incentive Plan (Incorporated by reference to exhibit 10.1 to the Company's Current Report on Form 8-K, filed January 29, 2018 (File No. 001-34755))
10.52	Revolving Credit Facility Supplement, dated January 29, 2018, between Limoneira Company and Farm Credit West, PCA (Incorporated by reference to exhibit 10.1 to the Company's Current Report on Form 8-K, filed February 1, 2018 (File No. 001-34755))
10.53	Line of Credit Loan Agreement, dated February 22, 2018, by and between Limoneira Lewis Community Builders, LLC and Bank of America, N.A. (Incorporated by reference to exhibit 10.1 to the Company's Current Report on Form 8-K, filed March 2, 2018 (File No. 001-34755))
10.54	Unsecured Line of Credit Promissory Note, dated February 22, 2018, by and between Limoneira Lewis Community Builders, LLC and Bank of America, N.A. (Incorporated by reference to exhibit 10.2 to the Company's Current Report on Form 8-K, filed March 2, 2018 (File No. 001-34755))
10.55	Guaranty Agreement, dated February 22, 2018, by and among Richard A. Lewis, individually and as Trustee of the Richard A. Lewis Revocable Trust u/d/t dated August 16, 2004 , Robert E. Lewis, individually and as Trustee of the Robert E. Lewis Revocable Trust u/d/t dated August 17, 2004, Roger G. Lewis, individually and as Trustee of the Roger G. Lewis Revocable Trust u/d/t dated August 20, 2004, Randall W. Lewis, individually and as Trustee of the Randall W. Lewis Revocable Trust u/d/t dated September 1, 2006, and Limoneira Company (Incorporated by reference to exhibit 10.3 to the Company's Current Report on Form 8-K, filed March 2, 2018 (File No. 001-34755))
10.56†	Form of Restricted Share Award Agreement under the Limoneira Company 2010 Amended and Restated Omnibus Incentive Plan (Incorporated by reference to exhibit 10.1 to the Company's Current Report on Form 8-K, filed April 11, 2018 (File No. 001-34755))
10.57	Asset Purchase Agreement, dated July 24, 2018, by and between Limoneira Company and Oxnard Lemon Associates, Ltd. (Incorporated by reference to exhibit 10.1 to the Company's Current Report on Form 8-K, filed July 26, 2018 (File No. 001-34755))
16.1	Letter from Ernst & Young LLP, dated March 14, 2019 (Incorporated by reference to exhibit 16.1 to the Company's Current Report on Form 8-K, filed March 14, 2019 (File No. 001-34755))
21.1*	Subsidiaries of Limoneira Company
23.1*	Consent of Independent Registered Public Accounting Firm - Deloitte & Touche LLP

Exhibit No.	Description
23.2*	Consent of Independent Registered Public Accounting Firm - Ernst & Young LLP
23.3*	Consent of Independent Registered Public Accounting Firm - Ernst & Young LLP
23.4*	Consent of Independent Auditors - Ernst & Young LLP
31.1*	Certification of the Principal Executive Officer pursuant to Exchange Act Rule 13a-14(a) and 15d-14(a)
31.2*	Certification of the Principal Financial and Accounting Officer pursuant to Exchange Act Rule 13a-14(a) and 15d-14(a)
32.1*	Certification of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1*	Limoneira Lewis Community Builders, LLC - Financial Statements as of October 31, 2019
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

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

† Denotes management contracts and compensatory plans or arrangements.

Exhibit 21.1

List of Subsidiaries of Limoneira Company	**State of Incorporation/Organization**
Associated Citrus Packers, Inc.	Arizona
Limoneira EA1 Land LLC	Delaware
Limoneira EA1 Management LLC	Delaware
Limoneira EA2 LLC	Delaware
Limoneira Energy Company LLC	California
Limoneira International Division, LLC	California
Limoneira Lewis Community Builders, LLC	Delaware
Limoneira Mercantile, L.L.C.	California
Windfall Investors, LLC	California
Templeton Santa Barbara, LLC	Nevada
6037 East Donna Circle Drive LLC	Arizona
6146 East Cactus Wren Road LLC	Arizona
Limoneira Chile SpA	Chile
Limoneira SA	Republic of South Africa
Fruticola Pan de Azucar S.A.	Chile
Agricola San Pablo SpA	Chile
Limoneira Argentina S.A.U.	Argentina
Trapani Fresh Consorcio de Cooperacion	Argentina
Limoneira Holland B.V.	Holland

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statement Form S-8 No. 333-171934 and Form S-3 No. 333-217622 of our reports dated January 13, 2020, relating to the consolidated financial statements of Limoneira Company and subsidiaries (the "Company"), and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of the Company for the year ended October, 31 2019.

/s/ Deloitte & Touche LLP

Los Angeles, California
January 13, 2020

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-171934) pertaining to the Limoneira Company 2010 Omnibus Incentive Plan, and

(2) Registration Statement (Form S-3 No. 333-217622);

of our report dated January 14, 2019, with respect to the consolidated financial statements of Limoneira Company included in this Annual Report (Form 10-K) of Limoneira Company for the year ended October 31, 2019.

/s/ Ernst & Young LLP

Los Angeles, California
January 13, 2020

Exhibit 23.3

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-171934) pertaining to the Limoneira Company 2010 Omnibus Incentive Plan, and

(2) Registration Statement (Form S-3 No. 333-217622) of Limoneira Company;

of our report dated January 10, 2020, with respect to the financial statements of Limoneira Lewis Community Builders, LLC as of October 31, 2019 and for the year then ended included in this Annual Report (Form 10-K) of Limoneira Company for the year ended October 31, 2019.

/s/ Ernst & Young LLP

Irvine, California
January 13, 2020

Exhibit 23.4

Consent of Independent Auditors

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-171934) pertaining to the Limoneira Company 2010 Omnibus Incentive Plan, and

(2) Registration Statement (Form S-3 No. 333-217622) of Limoneira Company;

of our report dated January 10, 2020, with respect to the financial statements of Limoneira Lewis Community Builders, LLC as of October 31, 2018 and for each of the two years in the period ended October 31, 2018 included in this Annual Report (Form 10-K) of Limoneira Company for the year ended October 31, 2019.

/s/ Ernst & Young LLP

Irvine, California
January 13, 2020

Exhibit 31.1

CERTIFICATION BY PRINCIPAL EXECUTIVE OFFICER

I, Harold S. Edwards, certify that:

1. I have reviewed this annual report on Form 10-K of Limoneira Company (the “Registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and

5. The Registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Dated January 13, 2020.

By: /s/ Harold S. Edwards

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

Exhibit 31.2

CERTIFICATION BY PRINCIPAL FINANCIAL OFFICER

I, Mark Palamountain, certify that:

1. I have reviewed this annual report on Form 10-K of Limoneira Company (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Dated January 13, 2020.

By: /s/ Mark Palamountain

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

Exhibit 32.1

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

In connection with the Annual Report on Form 10-K for the year ended October 31, 2019 (the “Report”) of Limoneira Company (the “Registrant”), as filed with the Securities and Exchange Commission on the date hereof, I, Harold S. Edwards, Director, President and Chief Executive Officer of the Registrant, hereby certify that:

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

Dated January 13, 2020.

By: /s/ Harold S. Edwards

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

Exhibit 32.2

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

In connection with the Annual Report on Form 10-K for the year ended October 31, 2019 (the "Report") of Limoneira Company (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof, I, Mark Palamountain, Chief Financial Officer, Treasurer and Corporate Secretary of the Registrant, hereby certify that:

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

Dated January 13, 2020.

By: /s/ Mark Palamountain

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

Exhibit 99.1

LIMONEIRA LEWIS COMMUNITY BUILDERS, LLC

(a Delaware Limited Liability Company)

Financial Statements

October 31, 2019

LIMONEIRA LEWIS COMMUNITY BUILDERS, LLC

(a Delaware Limited Liability Company)

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Report of Independent Registered Public Accounting Firm

To the Members of Limoneira Lewis Community Builders, LLC

Opinion on the Financial Statements

We have audited the accompanying balance sheet of Limoneira Lewis Community Builders, LLC (the Company) as of October 31, 2019, and the related statements of operations, members' capital and cash flows for the year then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at October 31, 2019, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting 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.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2016.

Irvine, California
January 10, 2020

Report of Independent Auditors

To the Members of Limoneira Lewis Community Builders, LLC

We have audited the accompanying financial statements of Limoneira Lewis Community Builders, LLC, which comprise the balance sheet as of October 31, 2018, and the related statements of operations, members' capital and cash flows for the years ended October 31, 2018 and 2017, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Limoneira Lewis Community Builders, LLC at October 31, 2018, and the results of its operations and its cash flows for the years ended October 31, 2018 and 2017 in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Irvine, California
January 10, 2020

LIMONEIRA LEWIS COMMUNITY BUILDERS, LLC
(a Delaware Limited Liability Company)

Balance Sheets
(in thousands)

	October 31, 2019	October 31, 2018
Assets		
Land held for development and sale	$135,374	$120,791
Cash and cash equivalents	1,569	4,540
Refundable deposits and other assets	732	230
Contract assets	495	—
Total assets	$138,170	$125,561
Liabilities and members' capital		
Unsecured line of credit, net of unamortized loan costs (Note 5)	$43,158	$36,088
Accounts payable and accrued expenses	7,585	14,242
Unearned revenue (Note 3)	458	6,250
Due to affiliates (Note 7)	15	28
	51,216	56,608
Members' capital:		
Limoneira EA1 Land, LLC	42,722	34,354
Lewis Santa Paula Member, LLC	44,232	34,599
	86,954	68,953
Total liabilities and members' capital	$138,170	$125,561

See accompanying notes.

LIMONEIRA LEWIS COMMUNITY BUILDERS, LLC
(a Delaware Limited Liability Company)

Statements of Operations
(in thousands)

	Year Ended October 31,		
	2019	**2018**	**2017**
Revenues:			
Land sales	$ 37,788	$ —	$ —
Cost of sales:			
Cost of land sales	(27,204)	—	—
Gross profit	10,584	—	—
Sales and marketing expenses	601	22	47
General and administrative expenses	81	172	42
Other (income) expense	(99)	(40)	—
Net income (loss)	$ 10,001	$ (154)	$ (89)

See accompanying notes.

LIMONEIRA LEWIS COMMUNITY BUILDERS, LLC
(a Delaware Limited Liability Company)

Statements of Members' Capital
(in thousands)

	Limoneira EA1 Land, LLC	Lewis Santa Paula Member, LLC	Total Members' Capital
Balance at October 31, 2016	$ 23,647	$ 23,649	$ 47,296
Contributions	7,450	7,450	14,900
Net income (loss)	(89)	—	(89)
Balance at October 31, 2017	31,008	31,099	62,107
Contributions	3,500	3,500	7,000
Net income (loss)	(154)	—	(154)
Balance at October 31, 2018	34,354	34,599	68,953
Contributions	4,000	4,000	8,000
Net income (loss)	4,368	5,633	10,001
Balance at October 31, 2019	$ 42,722	$ 44,232	$ 86,954

See accompanying notes.

LIMONEIRA LEWIS COMMUNITY BUILDERS, LLC
(a Delaware Limited Liability Company)

Statements of Cash Flows
(in thousands)

	Year ended October 31, 2019	2018	2017
Operating activities			
Net income (loss)	$ 10,001	$ (154)	$ (89)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Noncash interest charges	—	94	—
Changes in operating assets and liabilities:			
Land held for development and sale	(14,459)	(59,933)	(12,899)
Refundable deposits and other assets	(502)	(164)	(66)
Contract assets	(495)	—	—
Accounts payable and accrued expenses	(6,657)	13,222	556
Due to affiliates	(13)	(278)	(221)
Unearned revenue	(5,792)	6,250	—
Net cash used in operating activities	(17,917)	(40,963)	(12,719)
Financing activities			
Borrowings from line of credit	37,646	42,493	—
Principal repayments on line of credit	(30,700)	(6,250)	—
Payment of deferred loan costs	—	(249)	—
Contributions from members	8,000	7,000	14,900
Net cash provided by financing activities	14,946	42,994	14,900
Net increase (decrease) in cash and cash equivalents	(2,971)	2,031	2,181
Cash and cash equivalents at beginning of year	4,540	2,509	328
Cash and cash equivalents at end of year	$ 1,569	$ 4,540	$ 2,509
Supplemental disclosure of cash flow information			
Cash paid for interest (including amounts capitalized to the Project)	$ 1,844	$ 506	$ —

See accompanying notes.

Notes to Financial Statements

October 31, 2019

1. Organization

Organization and Business

Limoneira Lewis Community Builders, LLC ("Limoneira Lewis" or the "Company"), a Delaware Limited Liability Company, is a joint venture between Lewis Santa Paula Member, LLC ("Lewis") and Limoneira EA1 Land, LLC ("Limoneira") (together, the "Members") to develop a 501 acre area of land in Santa Paula, California into residential properties (the "Project"). Limoneira Lewis was formed on November 3, 2015 and began operations on November 10, 2015 in conjunction with the contribution of land and related entitlements for an agreed upon value of $40,000,000 by Limoneira (the "Property") to the Company and a concurrent assignment of a 50% interest in the Company to Lewis for $20,000,000 cash consideration, which were reflected as initial capital contributions from the Members. Initial capital contributions of the Members also included the value of certain pre-formation development costs and expenses ("Pre-Assignment Expenses") incurred by Limoneira of $1,374,279 and Lewis of $217,774.

The terms of the Company are governed pursuant to the Limited Liability Company Agreement, as amended (the "LLC Agreement"). Each Member's liability is limited pursuant to the Delaware Limited Liability Company Act. The term of the Company shall continue until the Company is dissolved pursuant to the provisions of the LLC Agreement.

Lewis is the designated manager of the Company ("Manager") and manages the business activities of the Company pursuant to the terms of the LLC Agreement through an affiliated entity, Lewis Management Corp., a California Corporation (the "Manager Affiliate"). All major decisions, as defined by the LLC Agreement, are decided by an executive committee consisting of two representatives each from Lewis and Limoneira.

Capital contributions are made by the Members for funding of Project Costs pursuant to terms of the LLC Agreement. Through October 31, 2019, the Members' capital contributions include the Members' initial capital contributions representing the value of the contributed property and Pre-Assignment Expenses and additional contributions totaling $77,199,000 in the aggregate.

On March 3, 2008, Limoneira entered into a Development Agreement with the City of Santa Paula (the "City") to develop the property which was transferred to the Company on November 10, 2015. The Development Agreement was amended and restated on February 26, 2015. The Amended Development Agreement provides for up to 1,500 total residential units, an estimated 240,000 square feet of office, retail, light industrial and assisted living facilities, approximately 19 acres for educational and other civic facilities and approximately 223 acres of undeveloped land, including open space and agricultural preserves, parks and greenways.

1. **Organization (continued)**

Distributions

Pursuant to the LLC Agreement, distributions of Net Cash Flow, as defined, shall be distributed to the Members in the following order of priority (using terms as defined in the LLC Agreement):

(a) First, to the Members in proportion to their respective Additional Capital Contribution IRR Deficiencies, until each Member's Additional Contribution IRR Deficiency is reduced to zero, representing a 12% return, compounded annually;

(b) Second, 48% to Limoneira and 52% to Lewis until Lewis' Initial Contribution IRR Deficiency is reduced to zero, representing a 12% return, compounded annually;

(c) Third, 25% to Limoneira and 75% to Lewis until aggregate distributions on this tier equal $10,000,000;

(d) Fourth, 60% to Limoneira and 40% to Lewis until aggregate distributions on this tier equal $20,000,000;

(e) Fifth, 50% to Limoneira and 50% to Lewis until aggregate distributions on this tier equal $20,000,000;

(f) Sixth, 78% to Limoneira and 22% to Lewis until aggregate distributions on this tier equal $25,000,000;

(g) Seventh, 95% to Limoneira and 5% to Lewis until aggregate distributions on this tier equal $20,000,000;

(h) Thereafter, 70% to Limoneira and 30% to Lewis.

Allocations of Income and Losses

Net income and losses each period are allocated to the Members in respect of how such income or loss would affect related cash distributions that would be made to the Members if the Company were to be liquidated as of the reporting date and proceeds equal to the book value of members' capital were to be distributed pursuant to the cash distribution priorities of the LLC Agreement.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States (“GAAP”). All references to authoritative accounting literature in the Company’s financial statements were referenced in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”), which is the single source of authoritative nongovernmental GAAP in the United States.

Acreage, square footage, number of units or lots, and other similar non-financial measures included in these notes to the financial statements are presented on an unaudited basis.

Cash and Cash Equivalents

All highly liquid investments with a remaining maturity of three months or less when purchased are considered to be cash equivalents. No cash balances held by the Company during the periods presented were legally restricted as to use.

Financial instruments that potentially subject the Company to concentrations of credit risk consist of demand deposits with a financial institution. The Company’s cash balances exceed federally insurable limits. However, the Company believes there is minimal credit risk relative to its cash balances.

Real Estate Inventories and Cost of Sales

Land held for development and sale consists of unimproved land and costs related to improvements including infrastructure and other capitalizable project costs. Capitalized costs include direct and indirect land costs, development and construction costs, direct labor, real estate taxes, and interest related to development and construction. Capitalized costs also include prepaid insurance policies and other similar costs which do not extend beyond the projected development period of the related project components.

Cost of land sales are allocated to individual land parcels sold based on specific identification, if practicable, or allocated based on a method which approximates relative fair value in accordance with ASC 970, *Real Estate - General*.

Land held for development and sale is carried at cost, unless the carrying amount is determined not to be recoverable, in which case the real estate inventory balance is written down to fair value in accordance with ASC 360, *Property, Plant and Equipment* (“ASC 360”). ASC 360 requires that real estate assets be tested for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

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

Impairment of real estate inventories is measured by comparing the carrying amount of the asset to the undiscounted future net cash flows expected to be generated from the project. These evaluations for impairment are significantly impacted by estimates of the amounts and timing of revenues, costs and expenses, and other factors. If real estate assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds the fair value of the asset. Fair value is determined based on estimated future cash flows discounted for inherent risks associated with the real estate asset, or other valuation techniques.

Revenue Recognition

Land sale transactions are made pursuant to contracts under which the Company typically has a performance obligation to deliver specified land parcels to the buyer when closing conditions are met. The Company evaluates each land sale contract to determine its performance obligations under the contract, including whether there is a distinct promise to perform post-closing land development work that is material within the context of the contract, and uses objective criteria to determine the completion of the applicable performance obligations, whether at a point in time or over time. Revenues from land sales are recognized when the Company has satisfied the performance obligations within the sales contract. Under its land sale contracts, the Company typically receives an initial cash deposit from the buyer at the time the contract is executed and receives the remaining fixed price consideration, through a third-party escrow agent, at closing when title and control of the land transfers to the buyer.

In instances where the Company has one or more performance obligations to perform land development work after the closing date, a portion of the transaction price under the land sale contract is allocated to such performance obligations and is recognized as revenue over time based upon the estimated progress toward the satisfaction of the related performance obligation, which is generally measured based on costs incurred relative to the total costs expected to satisfy the performance obligation.

The Company’s land sales contracts to homebuilders also generally provide for additional variable consideration in the form of a marketing fee based on a percentage of the sales prices of homes built and sold on the land as well as the ability to receive future profit participation payments on profitability above specified thresholds achieved on sales of the homes by the homebuilder. The Company’s performance obligations related to these fees are generally satisfied as of or in advance of when payments for such fees are received, which may result in the recognition of a contract asset for the estimated future variable consideration expected to be received. In determining the amount of revenue to recognize related to these fees, the Company estimates the total variable consideration it expects to receive utilizing the expected value approach and constrains the amount to be recognized to the extent such variable consideration is subject to a risk of significant revenue reversal. The Company considers various factors in determining whether a constraint is necessary, including its experience to date and degree to which the variable consideration is susceptible to factors outside its influence.

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

The amount and timing of revenue and cash flows related to marketing fee and profit participation payments are impacted by the ultimate timing and sales prices of homes sold by homebuilders.

The Company also evaluates the terms of antispeculation or similar clauses contained in its land sales contracts which may provide the Company the contingent right to repurchase such land if the buyer fails to comply with provisions of the sales contract to determine whether the customer under its contracts has obtained control of the land in determining satisfaction of the related performance obligation.

Deposits received under customer contracts prior to closing of land sales, or other payments received under a contract for which related performance obligation is not yet complete, represent contract liabilities and are recorded as unearned revenue. Contract assets are recognized to the extent revenues are recorded but the related amounts are not yet receivable under the terms of the contract. Trade receivables are recorded to the extent amounts are receivable from the customer and the Company's right to the consideration is no longer conditional. Contract assets and trade receivables are evaluated for impairment or collectibility in accordance with respective guidance. All of the Company's contracts with its customers and the related performance obligations have an original expected duration of one year or less.

Line of Credit

The Company's line of credit is recorded at amortized cost. Loan costs associated with securing the line of credit are deferred and are recognized as a component of interest cost over the term of the line of credit and are presented as a reduction of the line of credit balance on the accompanying balance sheets. Interest costs are capitalized to the Project during periods in which development activities are ongoing.

2. Summary of Significant Accounting Policies (continued)

Income Taxes

As a limited liability company, the Company is subject to certain minimal taxes and fees; however, no provision for income taxes has been made in the accompanying financial statements as the Members are individually responsible for reporting their respective share of the Company's income or loss.

Based on its evaluation under ASC Topic 740, *Income Taxes,* the Company has concluded that there are no significant tax positions requiring recognition in its financial statements, nor has the Company been assessed interest or penalties by any tax jurisdictions.

Other Income and Expenses

Other income and expenses are recorded in the period earned or incurred. Selling costs and costs related to marketing of the community are generally recorded to sales and marketing expenses as incurred.

Comprehensive Income and Loss

For all periods presented, comprehensive income (loss) is the same as net income (loss) reported for the respective period.

Use of Estimates

The preparation of these financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the revenues and expenses for the periods presented. Actual amounts and results could differ from those estimates.

2. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-09”). ASU 2014-09 supersedes the revenue guidance in Accounting Standards Codification (“ASC”) Topic 605, *Revenue Recognition*, and most industry-specific revenue and cost guidance in the accounting standards codification, including some cost guidance related to construction-type and production-type contracts. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This update creates a five-step model that requires entities to exercise judgment when considering the terms of the contract(s) which include (i) identifying the contract(s) with the customer, (ii) identifying the separate performance obligations in the contract, (iii) determining the transaction price, (iv) allocating the transaction price to the separate performance obligations, and (v) recognizing revenue when each performance obligation is satisfied.

On November 1, 2018, the Company adopted ASU 2014-09 and its related amendments (collectively, “ASC 606”), using the modified retrospective method applied to contracts that were not completed as of the adoption date. Results for reporting periods beginning November 1, 2018 are presented under ASC 606, while results for prior reporting periods have not been adjusted and continue to be presented under the accounting guidance in effect for those periods. The adoption of ASC 606 did not impact the Company’s financial statements as there were no land sales which had closed prior to the adoption date and no other balances which were required to be expensed or reclassified upon adoption pursuant to the provisions of ASC 606.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"). ASU 2016-02 will require organizations that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. Under ASU 2016-02, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Lessor accounting will remain substantially similar to current GAAP. In addition, ASU 2016-02 provides for expanded disclosures of leasing activities including qualitative along with specific quantitative information. ASU 2016-02 is effective for the Company beginning November 1, 2019 and is to be applied using a modified retrospective transition method. The Company expects to elect the package of practical expedients offered under the standard and is still evaluating the potential impact of adopting this guidance, but does not expect that the adoption will have a material impact on its financial statements.

3. Land Held for Development and Sale

Activity related to the Company's land held for development and sale for the year ended October 31, 2019 and 2018 is as follows:

	2019	2018
Beginning balance	$120,791,000	$60,858,000
Additional costs incurred	41,787,000	59,933,000
Cost of land sales	(27,204,000)	—
Ending balance	$135,374,000	$120,791,000

Management concluded that no impairment charges were warranted related to land held for development and sale through October 31, 2019.

During the year ended October 31, 2018, the Company entered into purchase and sale contracts with two homebuilders for the initial sale of lots located within Phase 1 of the Project. Deposits received under these contracts of $6,250,000 were received by the Company and reflected as unearned revenue as the lot sales had not closed as of October 31, 2018. During the year ended October 31, 2019, the Company closed on the sale of 210 lots in land sale transactions with three homebuilders and recognized total land sale revenues of $37,788,000, inclusive of the deposit amounts received and reflected as unearned revenue in 2018. Included in land sales revenues for the year ended October 31, 2019 were marketing fee revenues of $879,000, of which $495,000 was recorded as a contract asset representing estimated future variable consideration to be received. No profit participation payments were received or revenues recognized through October 31, 2019. As of October 31, 2019, the Company had substantially completed all performance obligations related to the land sale transactions that closed during the year ended October 31, 2019. There were no sales transactions which had closed or land sales revenues recognized previous to the year ended October 31, 2019.

As of October 31, 2019, the Company had received $458,000 of deposits related to future lot sale transactions, which are reflected as unearned revenue. The performance obligations related to these sales are expected to be satisfied within one year of the reporting date.

4. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities includes the following as of October 31, 2019 and 2018:

	2019	2018
Trade accounts payable	$271,000	$3,755,000
Retentions payable	2,373,000	1,637,000
Accrued liabilities	4,123,000	4,718,000
Environmental remediation obligation (Note 8)	818,000	4,132,000
	$7,585,000	$14,242,000

5. Line of Credit

In February 2018, the Company entered into an unsecured revolving line of credit facility with a third-party lender to provide development financing for the Project. The line of credit has a maximum borrowing amount of $45,000,000 and matures February 22, 2020, with a one-year extension subject to certain fees and conditions. The line of credit bears interest, payable monthly, at an annual rate of one-month LIBOR plus 2.85% (4.64% at October 31, 2019) plus an unused commitment fee of 0.20% per year, payable quarterly.

As of October 31, 2019 and 2018, the Company had outstanding borrowings of $43,189,000 and $36,243,000 under the line of credit, respectively, offset by $31,000 and $155,000 of unamortized loan costs, respectively. Loan costs amortized as interest costs during the year ended October 31, 2019 and 2018 totaled $124,000 and $94,000, respectively. During the years ended October 31, 2019 and 2018, the Company recorded interest and unused commitment fees of $2,015,000 and $506,000, respectively, all of which was capitalized to the Project. There were no borrowings outstanding previous to the year ended October 31, 2018.

The line of credit is guaranteed by the parent company of Limoneira and certain owners of Lewis. The loan also requires compliance with certain financial covenants, including liquid asset and tangible net worth requirements of the guarantors, which were in compliance as of October 31, 2019.

6. Fair Value Disclosures

ASC Topic 820, *Fair Value Measurement,* provides a framework for measuring fair value and has established a fair value hierarchy which prioritizes the inputs used in measuring fair value. The hierarchy is summarized as follows:

Level 1 - Fair value determined based on quoted prices in active markets for identical assets.

Level 2 - Fair value determined using significant observable inputs, such as those principally derived from or corroborated by observable market data, by correlation or other means.

Level 3 - Fair value determined using significant unobservable inputs, such as pricing models, discounted cash flows, or similar techniques.

GAAP requires the measurement of certain financial instruments at fair value on a recurring basis, and certain other financial and non-financial assets at fair value on a nonrecurring basis. Additionally, GAAP requires fair value disclosures for certain assets and liabilities.

There were no recurring or nonrecurring fair value measurements made in the periods presented in the accompanying financial statements through October 31, 2019. The following table presents the carrying amounts and estimated fair values of the Company's financial liabilities as of October 31, 2019 and 2018:

	October 31, 2019		**October 31, 2018**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial liabilities:				
Line of credit	$ 43,158,000	$ 43,365,000	$ 36,088,000	$ 36,450,000

The fair value of the Company's line of credit was estimated using a discounted cash flow analysis based on management's estimates of current market interest rates for instruments with similar characteristics including remaining loan term and other credit enhancements. The Company classifies these inputs as Level 3 inputs.

7. Related Party Transactions

Cost Reimbursements to Members

The Company reimburses for approved costs and expenses incurred by the Manager and Limoneira, or their affiliates, on behalf of the Company, including for employees providing services in conjunction with development activities for the Project. For the year ended October 31, 2019 and 2018, $1,753,000 and $1,777,000, respectively, of such costs were incurred by the Members on behalf of the Company, all of which were capitalized to the Project. As of October 31, 2019 and 2018, $15,000 and $28,000, respectively, of such costs remained payable by the Company to the Members, which are included in due to affiliates on the accompanying balance sheet.

Special Reimbursement to Limoneira

Pursuant to the LLC Agreement, the Company agreed to reimburse Limoneira $500,000 relating to payments made by Limoneira to the City of Santa Paula pursuant to an existing development agreement prior to formation of the Company. The Company reimbursed the initial $250,000 of this amount during the year ended October 31, 2017, and the remaining reimbursement of $250,000 during the year ended October 31, 2018, pursuant to the terms of the agreement. These amounts are not included in capital contributions for purposes of determining Limoneira's IRR Deficiency as defined in the LLC Agreement. All other amounts owed under remaining obligations pursuant to the Development Agreement with the City will be funded by the Company through capital contributions of the Members.

Leasing Transactions with Related Parties

The Company has leased two offices from an affiliate of Limoneira in two office buildings in Santa Paula, California. The leases are month-to-month leases at a rate of $472 and $1,350 per month and may be terminated by either party with 30 days' notice.

The Company has also agreed to lease other property from an affiliate of Limoneira in Santa Paula, California. The lease is a ten year lease at a rate of $250 per month. The Company can terminate the lease with 30 days' notice following the 3rd anniversary of the effective date of the lease.

The Company had agreed to lease to an affiliate of Limoneira certain agricultural land contained within the Property for nominal consideration until the Company required such land to commence development activities on such land. This lease was terminated during the year ending October 31, 2019.

7. Related Party Transactions (continued)

Retained Land and Infrastructure Cost Reimbursements

In conjunction with Limoneira's initial contribution of land to the Company, certain additional land (referred to as the "Retained Land") was legally conveyed to the Company for which Limoneira has retained beneficial ownership. The land was transferred back to Limoneira in August 2018 for no consideration upon recording of a revised tract map that subdivided the Retained Property as a legal parcel.

Limoneira has agreed to reimburse the Company for certain allocated infrastructure costs incurred by the Company which benefit the Retained Property and certain adjacent real property owned by Limoneira commonly referred to as East Area 2, as defined in the Retained Property Development Agreement between the Company and Limoneira. Through October 31, 2019, no such reimbursable costs had been allocated or billed for reimbursement to Limoneira. Costs incurred related to such development and subject to such future reimbursement from Limoneira are classified within land held for development and sale.

8. Commitments and Contingencies

The Company's commitments and contingencies include the usual litigation and obligations incurred by real estate owners, developers and operators in the normal course of business, none of which, in the opinion of management, are expected to have a material adverse effect on the Company's financial position or results of operations.

During the year ended October 31, 2018, the Company identified environmental contamination affecting soils throughout various parts of the Project related to leakage of fuel on the land prior to the Company's ownership of the property. The Company recorded an initial obligation of $12,100,000 during the year ended October 31, 2018 related to the estimated costs to remediate of such costs on an undiscounted basis in accordance with ASC 410-30, *Environmental Obligations*. As of October 31, 2019 and 2018, the remaining liability related to such estimated remediation costs was $818,000 and $4,132,000, respectively, and was included in accounts payable and accrued liabilities. All such costs were capitalized to the Project.

Although there can be no assurance, the Company is not aware of any other material environmental liability that could have a material adverse effect on its financial condition or results of operations. However, identification of additional contamination affecting the Project, changes in applicable environmental laws and regulations, the uses and conditions of properties in the vicinity of the Project, the activities of entities who may purchase from the Company land within the project and other environmental conditions of which the Company is unaware with respect to the Project could result in future environmental liabilities.

8. Commitments and Contingencies (continued)

Limoneira is required to transfer sufficient groundwater production and/or water rights to the City to allow the Company to satisfy the requirements of the Development Agreement and any other groundwater protection and/or water rights required by the City or other governmental agency in connection with existing or future entitlements for the Project.

Currently, there no guarantees by any of the Members or their affiliates in place on any of the obligations of the Company, except as related to the line of credit as described in Note 5. The Company is also required to complete development obligations related to the Project pursuant to the Development Agreement as well as pursuant to the terms of contracts with individual homebuilders and other parties.

The Company expects to be reimbursed for certain infrastructure costs it incurs related to the Project from the proceeds of bonds to be issued from one or more communities facilities districts ("CFDs"). As of October 31, 2019, no such bonds had been issued.

9. **Subsequent Events**

The Company has evaluated events subsequent to October 31, 2019 through January 10, 2020, the date the financial statements were available to be issued, for their impact on the financial statements and disclosures.

On November 6, 2019, the Company closed the sale of 34 lots to a homebuilder for $4,689,000.

Corporate Information

Limoneira Company

Headquarters

1141 Cummings Road
Santa Paula, CA 93060

2020 Annual Meeting

The Company's 2020 annual meeting of shareholders will be held at 10:00 a.m. Pacific time on March 24, 2020 at the Agricultural Museum of Ventura County, 926 Railroad Avenue, Santa Paula, CA 93060.

Stock Listing

The Company's common stock is listed on the NASDAQ® stock exchange under the symbol LMNR.

Investor Relations

Analysts, portfolio managers and other investors seeking additional information about Limoneira stock should contact John Mills, Partner, ICR, 685 Third Avenue, 2nd Floor, New York, New York 10017 P: (646) 277-1254, John.mills@icrinc.com. Answers to shareholders' frequently addressed questions can also be found by visiting http://investor.limoneira.com.

Customers

For assistance with Limoneira Company's products and services, please call (805) 525-5541 or visit www.limoneira.com for toll free numbers for specific products and services.

News Media

News media seeking information should visit www.limoneira.com for news releases, presentations and other items related to the Company.

Shareholder Services

Computershare is the transfer agent for Limoneira Company. For inquiries concerning dividend checks, tax statements, ownership transfers, address changes or lost or stolen certificates, contact Computershare at:

Shareholder correspondence should be mailed to:
Computershare
PO BOX 505000
Louisville, KY 40233-5000

Overnight correspondence should be mailed to:
Computershare
462 South 4th Street
Suite 1600 Louisville, KY 40202

Shareholder website:
www.computershare.com/investor
Shareholder online inquiries:
www-us.computershare.com/investor/Contact

Customer Service by Phone:
Toll Free (Domestic callers): 1-866-234-1382
International Callers: 1-201-680-6578

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DEEP ROOTS IN OUR COMMUNITY

Each year we devote resources to the many worthwhile entities that make our region a special place to live and work....

Alzheimer's Association Central Coast Chapter
Assistance League of Ventura County
Boys & Girls Club of Santa Clara Valley
Boy Scouts of Ventura County
CA Agricultural Leadership Foundation
Cabrillo Economic Development Corp.
California Lutheran University
Caregivers: Volunteers Assisting the Elderly
Channel Islands Maritime Museum
Coalition for Family Harmony
Community Action of Ventura County
Court Appointed Special Advocates VC
Girl Scouts of California Central Coast
Girls, Inc. of Ventura County
Interface Children Family Services
Kids & Families Together
Livingston Memorial Visiting Nurse Assoc.
Museum of Ventura County
National Disaster Search Dog Foundation
New West Symphony
Santa Paula Art Museum
Santa Paula Police Foundation
Special Olympics Southern California
Spirit of Santa Paula
United Way of Ventura County
Ventura College Foundation
Women's Economic Ventures

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www.Limoneira.com

Dedicated to stewardship and sustainable practices over the Company's 126 year history.

- **Water, Energy, Soil**
  Rigorous inspection of water supply prevents waste/run-off and promotes water quality. Solar orchards provide 7M KW of clean energy. 12 acre green waste project reduces landfill waste and provides healthy mulch for orchards. A project with Tesla studies the efficacy of a battery system paired to Limoneira's solar orchard. The goal is to reduce demand from the utilities during high demand periods.
- **Technology**
  Increasingly used for sustainability. Drones, soil probes, computer irrigation mapping and more squeeze more from less.
- **Site selection, Species, Variety**
  Preventative strategies are used to reduce inputs and establish a sustainable production system.
- **Diversity**
  Maintenance of geographic and crop diversity helps to ensure that when one crop suffers, others potentially thrive.
- **Harvest**
  Crews are trained in proper harvesting procedures to limit fruit damage.
- **Efficient Use of Inputs**
  Production hours are scheduled at non-peak energy times, and more trees are planted per acre. Old trees, pruned limbs and dry leaves for mulching are utilized to reduce herbicide and water use.
- **Work Force Housing**
  Limoneira is one of the largest providers of work force housing in Ventura County.
- **Integrated Pest Management**
  Integrated Pest Management (IPM) brings sustainably - grown products to market and reduces the use of pesticides.
- **Employees**
  Competitive pay with the highest medical/health benefits in the industry and competitive 401(k) plans are offered to employees.
- **Community Development**
  The Company supports organizations that make our communities vibrant and whose missions include educational enrichment, child development, job-creation, economic development, public safety and tourism.
- **Educational Tours Connect Kids to Agriculture**
  A comprehensive program that enables students to learn about nutrition, energy and food production takes place at Limoneira Ranch.

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Sustainability

The Pioneers that founded the Company were practicing treading lightly on the land before sustainability even entered the modern lexicon.

They did so because using fewer expensive agricultural inputs (water for example) to yield the same production, increased operating margins. It was basically just good business and Limoneira's Board and Management still believe that it is possible to do well while doing good.

With substantial investments in solar, green waste recycling, integrated pest management and patented low-tech water projects, the company is a leader in sustainability. This is a powerful message that resonates with Limoneira's grocery retail and foodservice customers.

We are proud to be releasing Limoneira's new Sustainability Report along with this year's annual report. Previously, we have communicated our ESG efforts on our website, through customer presentations and videos, and now, this report provides an important communications tool for the investment community.

This is an important step, but we won't stop here.

Limoneira owns thousands of acres of land and millions of trees. These trees sequester carbon from the atmosphere and this will be one of the many important inputs into measuring Limoneira's carbon footprint. While a daunting exercise, we believe we have a good story to tell and we're looking forward to expanding our sustainability narrative.

Non-Core Accelerators

Further growth in the citrus division can be funded with incremental cash flows from our non-core businesses and other ongoing development projects.

Limoneira's partnership with the Lewis Group of Companies on Harvest at Limoneira- a new lifestyle residential community will provide cash flows of approximately $100 million over the next 6-9 years (of which $20 million has already been received).

In October 2018, Limoneira announced a partnership with Lennar and KB Home to be primary builders for the first 180 homes in the initial 632 residential units and we closed on lot sales with nationally recognized homebuilders for 210 residential units in fiscal year 2019. Additionally, future revenue and profit will come from the development of nearby land zoned commercially.

Limoneira's rental properties provide steady cash flow and support expansion in the citrus division. We are proud of our long history of providing housing for the people that do the hardest work of all and now have 260 farmworker housing units that are at full occupancy. This is a very stable tenant base and the majority of our tenants are company employees. In addition to cash flow, rental operations are an important mitigant to workforce attrition.

In September, we announced the sale of our multi-use facility consisting of a retail convenience store, gas station, car wash, and quick-serve restaurant located in Santa Paula. The Company received approximately $4.0 million in net proceeds. At the time of the announcement, Harold Edwards, President, and Chief Executive Officer, stated, "We are pleased with the terms of the sale of our multi-use Mercantile property. We will use the cash generated by the sale to pay down debt and to invest in the growth of our agribusiness. This transaction is in-line with our long-term strategy to opportunistically monetize our rich portfolio of assets."

Another important asset is the 28,000-acre feet of Company-owned water rights, usage rights, and pumping rights to the water associated with Limoneira land.

We have made substantial investments in water companies to support and exceed farming needs and we have established a partnership for potential monetization of Colorado River water rights.

Continued Growth

Well Positioned for Industry Consolidation – Strong Acquisition Pipeline

Limoneira has successfully completed and integrated 9 acquisitions over the past 6 years including a strategic joint venture and land acquisition in Argentina with FGF Trapani in 2019.

The Company has 25+ qualified targets in the pipeline which represent over $250 million of enterprise value. The goal is to continue to increase the Company's global lemon market share and anticipates continued sector consolidation in the next 3-5 years and beyond.

Over 87% of U.S. farms are owned by families with fewer members of subsequent generations choosing to be farmers and 65% of all U.S. farmers are over age 54*. With a public currency and strong balance sheet, we expect to actively participate in increasing the opportunity to consolidate a fragmented space.

**Source: USDA.*

Avenues of Continued Growth and Margin Expansion

The Company's strategy for continued growth and margin expansion includes:

- Expanding the U.S. and international platform for production, packing, marketing and distribution of lemons
- Acquiring and investing in citrus-producing properties
- Increasing owned and third-party lemon volumes packed at our new highly efficient facility
- Applying success in lemons to other specialty citrus varieties
- Expanding and diversifying global plantings and production capabilities
- Maintaining and growing global partnerships, as well as our global customer base
- Realizing the value of Non-Core accelerators

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