

United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

Current Report

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

January 31, 2023

Date of Report (date of earliest event reported)

Limoneira Company

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

001-34755

(Commission File Number)

77-0260692

(IRS Employer Identification Number)

1141 Cummings Road

Santa Paula, CA 93060

(Address of Principal Executive Offices) (Zip Code)

(805) 525-5541

(Registrant's Telephone Number, Including Area Code)

Check the appropriate box below if the Form 8-K is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of Each Class	Trading Symbol(s)	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)

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

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.

Item 1.01 Entry into a Material Definitive Agreement

Farm Management Agreement

On January 31, 2023, Limoneira Company, (the “**Company**”) entered into a Farm Management Agreement, dated January 31, 2023 (the “**FMA**”) with Capital Agricultural Property Services, Inc., a Delaware Corporation (“**CAPS**”), acting on behalf of PAI Centurion Citrus, LLC, a Delaware Limited Liability Company (“**PAI**”), an affiliate of PGIM Real Estate Finance, LLC, a Delaware Limited Liability Company (“**PGIM**”). Under the terms of the FMA, the Company will provide farming, management and operations services (the “**Management Services**”) related to the 3,537-acre citrus grove parcels of land in Tulare County, California (the “**Northern Properties**”) for an initial term expiring on March 31, 2024, and thereafter continuing from fiscal year to fiscal year unless earlier terminated under the terms of the FMA. The Company will receive fees in the amount of approximately \$778,000 per year for the Management Services.

The FMA provides that the Company will secure qualified persons, contractors or firms and supervise such labor needed to carry out the Management Services. The Company is solely responsible for all matters pertaining to the employment of any employees engaged to carry out the Management Services. The FMA contains mutual indemnification obligations and other customary representations and warranties.

Grower Packing and Marketing Agreement

On January 31, 2023, the Company also entered into a Grower Packing & Marketing Agreement (the “**GPMA**”) with PAI. Under the terms of the GPMA, the Company will provide packing, marketing and selling services for lemons harvested on the Northern Properties for a minimum five-year period (the “**Initial Term**”). During the Initial Term, the GPMA provides that the Company will use its best efforts to ensure that PAI earns a net return for all lemons packed by the Company that is equal to or greater than PAI would have received under a similar agreement for packing services using a benchmarking standard to be designated (the “**Benchmark**”). During the Initial Term, PAI will have the right to terminate the agreement in any year following a year in which returns to PAI under the GPMA are below 90% of the Benchmark. The GPMA contains other customary terms, representations, covenants and warranties.

Item 2.01 Completion of Acquisition or Disposition of Asset

On January 31, 2023, the Company completed the previously disclosed sale of the Northern Properties pursuant to the Purchase and Sale Agreement and Joint Escrow Instructions, dated October 10, 2022 (the “**Purchase Agreement**”), as amended on January 17, 2023 (the “**First Amendment**”) and as further amended on January 24, 2023 (the “**Second Amendment**”) and, together with the First Amendment and the Purchase Agreement, the “**Agreement**”) with PGIM. The Agreement was filed as Exhibits 10.1, 10.2, and 10.3 to the Company’s Current Report on Form 8-K filed on January 31, 2023 and is incorporated by reference herein.

The aggregate sale price of the Northern Properties was approximately \$100,000,000. The sale was made as part of the Company’s ongoing strategic initiative to monetize certain of its properties. The sale generated approximately \$99,000,000 in net proceeds which will be used for debt reduction and general corporate purposes.

Item 9.01 Financial Statements and Exhibits

(b) Pro Forma Financial Information.

The following pro forma financial statements reflecting the disposition described in Item 2.01 to this Current Report are attached hereto as Exhibit 99.1:

1. Unaudited Pro Forma Consolidated Balance Sheet as of October 31, 2022
2. Unaudited Pro Forma Consolidated Statement of Operations for the year ended October 31, 2022
3. Notes to the Unaudited Pro Forma Consolidated Financial Information

(d) Exhibits

<u>Exhibit</u>	<u>Description</u>
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- | | |
|----------------------|--|
| 99.1 | Unaudited Pro Forma Consolidated Financial Information |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document). |
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SIGNATURES

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

Dated: February 6, 2023

LIMONEIRA COMPANY

By: /s/ Mark Palamountain
Mark Palamountain
Chief Financial Officer and Treasurer

Unaudited Pro Forma Consolidated Financial Information

The unaudited pro forma consolidated financial information below has been prepared to illustrate the effect of Limoneira Company's disposition of the Northern Properties (the "disposition"), which was consummated on January 31, 2023, for cash consideration of approximately \$100 million, as well as the Farm Management Agreement and Grower Packing & Marketing Agreement which were entered into with the buyer concurrent with the disposition (together the "additional agreements" and together with the disposition the "transaction"). The proceeds were used to pay down all of the Company's domestic debt except the Farm Credit West \$40 million non-revolving line of credit. The Company believes the additional agreements and the paydown of the debt are material within the context of the transaction and therefore are included in the unaudited pro forma consolidated financial information. The disposition does not meet the criteria for discontinued operations in accordance with FASB Accounting Standards Codification (ASC) Topic 205-20, Discontinued Operations.

Such information is based on Limoneira Company's historical financial statements as adjusted to give effect to the transaction. In the unaudited pro forma consolidated statement of operations for the year ended October 31, 2022, it is assumed that the disposition occurred on November 1, 2021. In the unaudited pro forma consolidated balance sheet as of October 31, 2022, it is assumed that the disposition occurred on October 31, 2022.

The accompanying notes should be read together with the unaudited pro forma consolidated financial information. Such notes describe the assumptions and estimates related to the unaudited adjustments to the pro forma consolidated financial information.

The pro forma consolidated financial information may not necessarily reflect the financial condition or results of operations had the disposition occurred on the dates noted above, and Limoneira Company's actual results may differ from the pro forma amounts presented.

Limoneira Company
Unaudited Pro Forma Consolidated Balance Sheet
As of October 31, 2022
(\$ in thousands, except share amounts)

	Limoneira Company Historical	Adjustments for Disposition of Northern Properties	Note 2	Pro Forma
Assets				
Current assets:				
Cash	\$ 857	34,248	B	\$ 35,105
Accounts receivable, net	15,651			15,651
Cultural costs	8,643	(4,405)	A	4,238
Prepaid expenses and other current assets	8,496			8,496
Receivables/other from related parties	3,888			3,888
Total current assets	37,535	29,843		67,378
Property, plant and equipment, net	222,628	(53,144)	A	169,484
Real estate development	9,706			9,706
Equity in investments	72,855			72,855
Goodwill	1,506			1,506
Intangible assets, net	7,317	(12)	A	7,305
Other assets	16,971	(1,320)	A	15,651
Total assets	\$ 368,518	(24,633)		\$ 343,885
Liabilities and Stockholders' Equity				
Current liabilities:				
Accounts payable	\$ 10,663			\$ 10,663
Growers and suppliers payable	10,740			10,740
Accrued liabilities	11,279	(68)	A	12,811
		1,600	D	
Income taxes payable	-	10,045	H	10,045
Payables to related parties	4,860			4,860
Current portion of long-term debt	1,732	(1,356)	B	376
Total current liabilities	39,274	10,221		49,495
Long-term liabilities:				
Long-term debt, less current portion	104,076	(63,204)	B	40,872
Deferred income taxes	23,497			23,497
Other long-term liabilities	9,807			9,807
Total liabilities	176,654	(52,983)		123,671
Commitments and contingencies				
	-			-
Series B Convertible Preferred Stock – \$100.00 par value (50,000 shares authorized: 14,790 shares issued and outstanding) (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) (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)	-			-
Common Stock – \$0.01 par value (39,000,000 shares authorized)	177			177
Additional paid-in capital	165,169	1,600	D	166,769
Retained earnings	15,500	39,995	C	42,450
		(3,200)	D	
		(10,045)	H	
Accumulated other comprehensive loss	(7,908)			(7,908)
Treasury stock, at cost	(3,493)			(3,493)
Noncontrolling interest	11,609			11,609
Total stockholders' equity	181,054	28,350		209,404
Total liabilities and stockholders' equity	\$ 368,518	(24,633)		\$ 343,885

See accompanying Notes to the Unaudited Pro Forma Consolidated Financial Information.

Limoneira Company
Unaudited Pro Forma Consolidated Statement of Operations
For the Year Ended October 31, 2022
(\$ in thousands, except share amounts)

	Limoneira Company Historical	Adjustments for Disposition of Northern Properties	Note 2	Pro Forma
Net revenues:				
Agribusiness	\$ 179,281	\$ 3,180	F	\$ 182,461
Other operations	5,324			5,324
Total net revenues	184,605	3,180		187,785
Costs and expenses:				
Agribusiness	160,651	(1,476)	E	162,243
		3,068	F	
Other operations	4,438			4,438
Gain on disposal of assets	(4,500)	(39,995)	C	(44,495)
Selling, general and administrative	21,815	3,200	D	25,015
Total costs and expenses	182,404	(35,203)		147,201
Operating income	2,201	38,383		40,584
Other (expense) income:				
Interest income	53			53
Interest expense, net of patronage dividends	(2,291)	2,037	G	(254)
Equity in earnings of investments, net	1,341			1,341
Other expense, net	(955)			(955)
Total other (expense) income	(1,852)	2,037		185
Income before income tax provision	349	40,420		40,769
Income tax provision	(823)	(11,035)	H	(11,858)
Net (loss) income	(474)	29,386		28,912
Loss attributable to noncontrolling interest	238			238
Net (loss) income attributable to Limoneira Company	(236)	29,386		29,150
Preferred dividends	(501)			(501)
Net (loss) income applicable to common stock	<u>\$ (737)</u>	<u>\$ 29,386</u>		<u>\$ 28,649</u>
Basic net (loss) income per common share	\$ (0.04)	\$ 1.64	I	\$ 1.60
Diluted net (loss) income per common share	\$ (0.04)	\$ 1.59	I	\$ 1.55
Weighted-average common shares outstanding – basic	17,513,000	-		17,513,000
Weighted-average common shares outstanding – diluted	17,513,000	805,000		18,318,000

See accompanying Notes to the Unaudited Pro Forma Consolidated Financial Information.

Notes to the Unaudited Pro Forma Consolidated Financial Information

Note 1. Basis of Presentation

The historical financial statements have been adjusted in the pro forma consolidated financial information to give effect to certain transaction accounting adjustments, as discussed further in Note 2. The disposition of the Northern Properties was accounted for in accordance with FASB Accounting Standards Codification (ASC) Topic 360, Property, Plant and Equipment.

Note 2. Unaudited Pro Forma Adjustments

The pro forma adjustments are preliminary and are subject to change. The unaudited pro forma consolidated balance sheet and unaudited pro forma consolidated statement of operations reflect:

A. Adjustments to the assets disposed, including (1) cultural costs of \$4,405,000, (2) property, plant and equipment, net of \$53,144,000, (3) intangible assets, net of \$12,000, (4) other assets of \$1,320,000 and (5) accrued liabilities of \$68,000.

B. The net cash proceeds received of \$85,891,000 and \$12,917,000 of debt directly repaid through the disposal transaction. Additionally, it is assumed that the proceeds were used to pay down all of the Company's domestic debt except the Farm Credit West \$40,000,000 non-revolving line of credit. Thus, \$1,356,000 and \$50,287,000 of the cash proceeds were used to pay down the Company's current and long-term debt, respectively, with the remainder of \$34,248,000 increasing cash.

C. The nonrecurring gain on disposal of assets of \$39,995,000.

D. A nonrecurring adjustment of \$3,200,000 to selling, general and administrative expenses for executive bonuses due to the transaction per the terms of Retention Bonus Agreements executed on October 26, 2022. Half of the bonus is paid in cash and half is paid in restricted shares.

E. An adjustment of \$1,476,000 for the reduction in depreciation expense related to the disposed assets.

F. An adjustment for the increase in agribusiness revenues of a net \$3,180,000 and increase in agribusiness expenses of a net \$3,068,000 related to the transaction. Proforma agribusiness revenues are reduced by \$6,804,000 due to the reduction of orange and specialty citrus revenues and are increased by \$9,984,000 for farm management revenues.

G. An estimated adjustment of \$2,037,000 related to interest expense on the reduction in the Company's debt, comprised primarily of the following: 1) \$2,101,000 related to a \$71,293,000 reduction to the revolving line of credit with an assumed average variable rate of 2.9% and 2) \$704,000 related to \$19,589,000 in reductions to various fixed rate term loans and a note payable with an average rate of 3.6%, partially offset by reductions to patronage dividends received and capitalized interest.

H. The income tax effects of the transaction accounting adjustments, by using Limoneira's statutory federal and state income tax rates of 21.0 percent and 6.3 percent, respectively.

I. Basic and diluted pro forma net (loss) income per common share is based on the weighted average number of shares of Limoneira Company's common stock outstanding for the period presented. The adjustment for the restricted shares granted in connection with the Retention Bonus Agreements described in Item D is assumed to have occurred on March 14, 2022 with the stock price on the date of grant of \$12.73 per share and 125,672 restricted shares issued. The computations for pro forma basic and diluted net income per common share are as follows (in thousands, except per share amounts):

	Limoneira Company Historical	Adjustments for Disposition of Northern Properties	Pro Forma
Basic net income (loss) per common share:			
Net income (loss) applicable to common stock	\$ (737)	\$ 29,103	\$ 28,366
Effect of unvested, restricted stock	(50)	(344)	(394)
Numerator: Net loss for basic EPS	(787)	28,759	27,972
Denominator: Weighted average common shares - basic	17,513	-	17,513
Basic net income (loss) per common share	<u>\$ (0.04)</u>	<u>\$ 1.64</u>	<u>\$ 1.60</u>
Diluted net income (loss) per common share:			
Numerator for basic EPS	\$ (787)	\$ 28,759	\$ 27,972
Plus: Preferred dividends	-	501	501
Numerator: Net income (loss) for diluted EPS	(787)	29,260	28,473
Weighted average common shares - basic	17,513	-	17,513
Effect of dilutive unvested, restricted stock and preferred stock	-	805	805
Denominator: Weighted average common shares - diluted	17,513	805	18,318
Diluted net income (loss) per common share	<u>\$ (0.04)</u>	<u>\$ 1.59</u>	<u>\$ 1.55</u>