AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON FEBRUARY 12, 2010

REGISTRATION NO.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10

**GENERAL FORM FOR REGISTRATION OF SECURITIES
PURSUANT TO SECTION 12(b) OR 12(g) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Limoneira Company

(Name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**77-0260692** **(I.R.S. Employer Identification No.)**

1141 Cummings Road, Santa Paula, CA 93060

(Address of principal executive offices, including zip code)

(805) 525-5541

(Registrant’s telephone number, including area code)

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

TITLE OF EACH CLASS TO BE SO REGISTERED	NAME OF EACH EXCHANGE ON WHICH EACH CLASS IS TO BE REGISTERED
None	None

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

TITLE OF CLASS

Common Stock, $0.01 par value

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	x (Do not check if a smaller reporting company)	Smaller reporting company	☐

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EXPLANATORY NOTE

We are filing this General Form for Registration of Securities on Form 10 to register voluntarily our common stock, par value $0.01 per share, pursuant to Section 12(g) of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act.

Once this registration statement is deemed effective, we will be subject to the requirements of Regulation 13A under the Exchange Act, which will require us to file annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, and we will be required to comply with all other obligations of the Exchange Act applicable to issuers filing registration statements pursuant to Section 12(g) of the Exchange Act.

During the pendency of this registration statement and before it is deemed effective, we anticipate that we will submit to our stockholders a proposal by our board of directors that we split our shares on a ten-for-one basis. Moreover, following the effectiveness of this registration statement and after addressing any comments from the Division of Corporation Finance of the Securities and Exchange Commission, which we refer to as the SEC, we expect that our common stock will be accepted for listing on the NASDAQ Stock Market under the ticker symbol “LMNR.”

All references to “we,” “us,” “our,” “our company,” “the company,” or “Limoneira” in this registration statement on Form 10 mean Limoneira Company, a Delaware corporation, and its wholly owned subsidiaries.

FORWARD-LOOKING STATEMENTS

This registration statement on Form 10 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 prospectus include:

- changes in laws, regulations, rules, quotas, tariffs, and import laws;
- weather conditions, including freezes, 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 land development activities;
- political changes and economic crises;
- international conflict;
- acts of terrorism;

- labor disruptions, strikes or work stoppages;
- loss of important intellectual property rights; and
- other factors disclosed in this registration statement.

In addition, this registration statement on Form 10 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 registration statement on Form 10, particularly the section "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 registration statement, 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 registration statement 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 any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

ITEM 1. BUSINESS

Limoneira Company was incorporated in Delaware in 1990 as the successor to several businesses with operations in California since 1893. Our 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 this registration statement beginning on page F-1.

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 7300 acres of land, water resources and other assets to maximize long-term stockholder value. Our current operations consist of fruit production and marketing, real estate development and capital investment activities.

We are one of California's oldest citrus growers and we believe we are the largest grower of lemons and 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, Santa Barbara and Tulare Counties in California, which plantings consist of approximately 1839 acres of lemons, 1372 acres of avocados, 1062 acres of oranges and 403 acres of specialty citrus and other crops. We also operate our own packinghouse in Santa Paula, California, where we process and pack lemons that we grow as well as lemons grown by others.

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 unadjudicated Fillmore, Santa Barbara and Paso Robles Basins (aquifers). We also use ground water and water from local water districts in Tulare County, which is in the San Joaquin Valley.

For more than 100 years, we have been making strategic investments in California agricultural and development real estate, and more recently, in Arizona real estate. As of the date of this registration statement, we have six active real estate development projects in California and two in Arizona. Our real estate developments range from apartments to luxury single-family homes and in California include approximately 200 completed units and another approximately 2,000 units in various stages of planning and entitlement. Our real estate developments in Arizona consist of two luxury homes in Paradise Valley, which is adjacent to Phoenix and Scottsdale.

Business Segments

We have three business segments: agribusiness, rental operations, and real estate development. The agribusiness segment includes our farming and lemon packing operations. The rental operations segment includes our housing, organic recycling, commercial and leased land operations. The real estate development segment includes our real estate projects and development.

Agribusiness

Our agribusiness segment includes our operations for farming and lemon packing. The agribusiness segment represented approximately 89%, 93% and 93% of our fiscal 2009, fiscal 2008 and fiscal 2007 consolidated revenues, respectively.

Farming

We are one of California's oldest citrus growers and we believe we are the largest grower 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, Santa Barbara and Tulare Counties in California, which consist of approximately 1839 acres of lemons, 1372 acres of avocados, 1062 acres of oranges and 403 acres of specialty citrus and other crops. We also operate our own packinghouse in Santa Paula, California, where we process and pack lemons we grow as well as lemons grown by others.

Lemons. We believe we are the largest lemon grower in the United States with approximately 1839 acres of lemons planted throughout Ventura County, California and Tulare County in the San Joaquin Valley in Central California. 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 87% of our lemons are grown in Ventura County and approximately 13% are grown in Tulare County in Central California's San Joaquin Valley.

There are over fifty varieties of lemons, with the Lisbon, Eureka and Genoa being the predominant varieties marketed on a worldwide basis. California grown lemons are available 12 months of the year, with peak production periods occurring from January through August. Approximately 92% of our lemon plantings are of the Lisbon and Eureka varieties and approximately 8% are of other varieties. The storage life of fresh lemons is limited and generally ranges from one to 18 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 750,000 tons of lemons, California accounts for approximately 87% of the United States lemon crop, with Arizona producing a vast majority of the rest. Between 50% and 70% percent 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 other carbonated beverages or 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.

Most of our lemons, including our packinghouse branded lemons, are marketed and sold under the Sunkist brand to the food service industry, wholesalers and retail operations throughout North America, Asia and certain other countries primarily through Sunkist Growers, Inc., which we refer to as Sunkist, an agricultural marketing cooperative of which we are a member. As an agricultural cooperative, Sunkist coordinates the sales and marketing of our lemons and we process orders through our packinghouse for direct shipment to customers worldwide.

Avocados. We believe we are the largest avocado grower in the United States with approximately 1372 acres of avocados planted throughout Ventura and Santa Barbara counties. In California, the 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 70 years, the avocado has transitioned from a single specialty fruit to an array of 10 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 98% of our avocado plantings are of the Hass variety. The storage life of fresh avocados is limited and 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 Growers, Inc., which we refer to as Calavo, a packing and marketing company listed on NASDAQ under the symbol CVGW. Calavo's customers include many of the largest retail and food service companies in the United States and Canada. Our marketing relationship with Calavo dates back to 2003. Calavo receives fruit from our orchards at its packinghouse located in Santa Paula. Calavo's proximity to our agricultural operations enables us to keep transportation and handling costs to a minimum. Our avocados are packed by Calavo, 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 70 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 more natural climate of the tropics.

Oranges. While we are primarily known for our high quality lemons, we also grow oranges. We have approximately 1062 acres of oranges planted throughout Tulare County in the San Joaquin Valley in Central California. In California, the growing area stretches from Imperial County to Yolo County.

For many decades, the Valencia variety of oranges were grown in Ventura County primarily for export to the Pacific Rim. Throughout the late 20th century, developing countries began producing the larger, seedless Navel variety of oranges that successfully competed against the smaller Valencia variety of oranges. California grown Valencia oranges are available March to October, with peak production periods occurring between June and September. California grown Navel oranges are available October to June, with peak production periods occurring between January and April. Approximately 19% of our orange plantings are of the Valencia variety and approximately 81% are of the Navel variety.

Navel oranges comprise most of California's orange crop, accounting for approximately 75% over the past three growing seasons. Valencia oranges account for a vast majority of the remainder. While California produces approximately 24% of the nation's oranges, its crop accounts for approximately 80% 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.

Sunkist markets and sells our oranges under the Sunkist brand to the food service industry, wholesalers and retail operations throughout the world. As an agricultural cooperative, Sunkist coordinates the sales and marketing of our oranges and orders are processed by a packinghouse for direct shipment to customers. We typically partner with outside packers to process and ship our oranges. Approximately 70% of our oranges are sold to retail outlets and approximately 30% are sold to the food service industry.

Specialty Citrus and Other Crops. A few decades ago in response to an ever changing marketplace, 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 403 acres of specialty citrus and other crops planted such as pummelos, Moro blood oranges, Cara Cara oranges, Satsuma mandarins, sweet Meyer lemons, proprietary seedless lemons, pink variegated lemons, Minneola tangelos, pistachios, cherries and Star Ruby grapefruit.

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. We grow Satsumas, a type of mandarin orange similar to Clementine oranges. All of our specialty citrus is marketed and sold under the Sunkist brand through Sunkist and packed and shipped through arrangements with other packers similar to our oranges. All of our specialty citrus, other than specialty lemons such as sweet Meyer lemons, pink variegated lemons and proprietary seedless lemons, is marketed and sold by Sunkist to major retail operations in the United States.

We market our other specialty crops, such as pistachios and cherries, independently. All of our pistachios are harvested and sold to an independent roaster, packager and marketer of nuts. All of our cherries are harvested and sold to independent packers and shippers.

We have agricultural plantings on 13 properties located throughout Ventura, Santa Barbara and Tulare Counties in California. The following is a description of each such property.

Limoneira/Olivelands Ranch. The Limoneira/Olivelands Ranch is the original site of the company and consists of approximately 1,744 contiguous acres located just west of Santa Paula, California. The company's headquarters, lemon packing operations and storage facilities are located on this property. There are approximately 1,189 acres of agricultural plantings on this property which consist of approximately 544 acres of lemons, 643 acres of avocados and 2 acres of specialty citrus and other crops. The company leases approximately 199 acres to third party agricultural tenants who grow a variety of row crops. The company also leases to Calavo office space located on this property.

Orchard Farm Ranch. The Orchard Farm Ranch consists of approximately 1,119 acres located just west of Santa Paula, California. There are approximately 805 acres of agricultural plantings on this property which consist of approximately 417 acres of lemons, 29 acres of avocados and 7 acres of specialty citrus and other crops planted by the company and approximately 352 acres leased to third party agricultural tenants who grow a variety of row crops. The Orchard Farm Ranch is directly adjacent to the Limoneira/Olivelands Ranch, which together comprise nearly 2,900 contiguous acres approximately eight miles from the Pacific Ocean.

Teague McKevett Ranch. The Teague McKevett Ranch consists of approximately 523 acres located just east of Santa Paula, California. There are approximately 414 acres of agricultural plantings on this property which consist of approximately 213 acres of lemons and 181 acres of avocados planted by the company and approximately 20 acres leased to third party tenants who grow a variety of row crops. As described in “Real Estate Development” below, the Teague McKevett Ranch comprises all of East Area 1.

La Cuesta Ranch. The La Cuesta Ranch consists of approximately 222 acres located between Santa Paula, California and Ojai, California. The company has approximately 126 acres of agricultural plantings on this property which consist of approximately 87 acres of lemons, 27 acres of avocados and 12 acres of specialty citrus and other crops.

San Cayetano Ranch. The San Cayetano Ranch consists of approximately 86 acres located between Santa Paula, California and Fillmore, California. The company has approximately 74 acres of agricultural plantings on this property which consist of approximately 6 acres of lemons and 68 acres of avocados.

Sawyer Ranch. The Sawyer Ranch consists of approximately 31 acres located between Santa Paula, California and Fillmore, California. The company leases this property and has approximately 29 acres of agricultural plantings consisting of approximately 12 acres of lemons and 17 acres of avocados.

La Campana Ranch. The La Campana Ranch consists of approximately 324 acres located between Santa Paula, California and Fillmore, California. The company has approximately 289 acres of agricultural plantings on this property which consists of approximately 107 acres of lemons and 182 acres of avocados.

Wilson Ranch. The Wilson Ranch consists of approximately 52 acres located between Santa Paula, California and Fillmore, California. The company has approximately 33 acres of avocado plantings on this property.

Limco Del Mar Ranch. The Limco Del Mar Ranch consists of approximately 208 acres located on the east end of Ventura, California. As described in “Real Estate Development” below, this property is owned by a limited partnership of which the company is the general partner and owns an interest of approximately 23%. This property has approximately 187 acres of agricultural plantings consisting of 118 acres of lemons and 69 acres of avocados. The company manages the agricultural operations on this property.

Rancho Refugio/Caldwell Ranch. The Rancho Refugio/Caldwell Ranch consists of approximately 449 acres located north of Santa Barbara on the California Coast. The company leases this property and has an option to purchase the property at any time prior to the expiration of the lease term in early 2012. This property is currently for sale and has approximately 209 acres of agricultural plantings consisting of approximately 92 acres of lemons, 115 acres of avocados and 2 acres of specialty citrus and other crops.

Porterville Ranch. The Porterville Ranch consists of approximately 669 acres located about 50 miles north of Bakersfield, California. The company has approximately 650 acres of agricultural plantings on this property which consist of approximately 145 acres of lemons, 376 acres of Navel oranges, 27 acres of Valencia oranges, and 102 acres of specialty citrus and other crops.

Jencks Ranch. The Jencks Ranch consists of approximately 101 acres located about 50 miles north of Bakersfield, California. This property is adjacent to our Porterville Ranch. The company has approximately 60 acres of agricultural plantings on this property which consists of approximately 53 acres of Navel oranges and 7 acres of Valencia oranges.

Ducor Ranch. The Ducor Ranch consists of approximately 1,027 acres located about 50 miles north of Bakersfield, California. The company has approximately 974 acres of agricultural plantings on this property which consist of approximately 97 acres of lemons, 431 acres of Navel oranges, 168 acres of Valencia oranges and 278 acres of specialty citrus and other crops.

Lemon Packing

We are the oldest continuous lemon packing operation in North America. We pack lemons grown by us as well as lemons grown by others. Lemons delivered to our packinghouse in Santa Paula are graded, sized, packed, and cooled and ripened for delivery to customers. Our ability to accurately estimate the size, grade, as well as the 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 are fixed. Our strategy calls for optimizing fresh utilization and procuring a larger percentage of the California lemon crop.

We invest considerable time and research into refining and improving our lemon operations through innovation and are continuously in search of new techniques to refine how premium lemons are delivered to our consumers.

Rental Operations

Our rental operations segment includes our housing, organic recycling, commercial and leased land operations. The rental operations segment represented approximately 11%, 7% and 7% of our fiscal 2009, 2008, and 2007 consolidated revenues, respectively.

Housing

The company owns and maintains approximately 193 residential housing units located in Ventura and Tulare Counties that it leases to employees, former employees and non-employees. We expect to add approximately 74 new units in Santa Paula, California as a result of recently receiving approval from the Ventura County Planning Commission to build new residential housing units. 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

The company owns several commercial office buildings and a multi-use facility consisting of a retail convenience store, gas station, car wash and a quick-serve restaurant. As with our housing units, these properties generate reliable cash flows which we use to partially fund the operations of our business.

Leased Land

As of October 31, 2009 the company leases approximately 586 acres of its land to third party agricultural tenants who grow a variety of row crops such as strawberries, raspberries, celery and cabbage. Our leased land business typically provides us with a profitable method to diversify the use of our land.

Organic Recycling

With the help of Agromin, a manufacturer of premium soil products and green waste recycler located in Oxnard, California, we have created and implemented an organic recycling program. Agromin provides green waste recycling for approximately 19 cities in Santa Barbara, Los Angeles and Ventura Counties. We worked with Agromin to develop two organic recycling facilities, one on our land in Ventura County and another in Los Angeles County, to receive green materials (lawn clipping, leaves, bark, 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 collected from regional waste haulers and enjoy the benefits of the organic material.

Real Estate Development

Our real estate development segment includes our real estate development operations. The real estate devlopment segment represented less than 1% of our consolidated revenues in fiscal 2009 and did not generate any significant revenues during fiscal 2008 and fiscal 2007.

For more than 100 years, we have been making strategic real estate investments in California agricultural and developable real estate, and more recently, in Arizona. Our current real estate developments include developable land parcels, single- and multi- family affordable housing and luxury single-family homes with nearly 2,000 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. Santa Paula East Area I consists of 523 acres that we presently use as agricultural land and is located in Santa Paula approximately ten miles from Ventura and the Pacific Ocean. This property is also known as our Teague McKevett Ranch. We believe East Area 1 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 completing 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, or SOAR, ordinance which mandates a public vote of the City of Santa Paula for land use conversion. We are currently in the process of obtaining final documentation to complete the entitlement and have executed a 30-year development agreement with Santa Paula. We expect to develop this property with financial and development partners, outside consultants and our own internal resources. If current U.S. economic conditions continue to deteriorate, however, we are prepared to continue using this land for agricultural purposes until attractive development opportunities present themselves.

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 25 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 even a large employer, a complex of mixed business and retail or some combination of the foregoing. We are actively cultivating prospects to buy or become future tenants in East Area II and expect that development will closely follow the build-out of East Area I.

Windfall Farms - Creston, California. Windfall Farms is an approximately 720-acre former thoroughbred breeding farm and equestrian facility located in Creston, California, near Paso Robles. The property has paved roads, water wells, irrigation, piping, stables, homes, other out-buildings and a race track. Presently, parcels of at least 40 acres are available for sale. However, restrictions imposed by the California Land Conservation Act (also known as the Williamson Act) expire at the end of 2012, at which time 76 parcels as large as ten acres can be subdivided and resold, creating small agricultural parcels with home sites.

Santa Maria - Santa Barbara County, California. In early fiscal 2007, we invested in four entitled development parcels in Santa Barbara County, California, a county that, in our experience, entitles very few parcels. Located in Santa Maria, each of these parcels offers a residential and/or commercial development opportunity. A brief description of each parcel follows:

- Centennial Square has been approved for 72 condominiums on 5 acres, is close to medical facilities, shopping and transportation, and includes one acre suitable for commercial development.

- The Terraces at Pacific Crest is an approximately eight-acre parcel approved for 112 attached-housing units.

- Sevilla is approved for 69 single-family homes adjacent to shopping, transportation, schools, parks, and medical facilities, with a parcel of approximately three-acres zoned for commercial use.

- Eastridge is approved for 120 single family homes on approximately 37 acres. Approximately three acres are zoned for commercial use. We have recently partnered with a developer to develop this property.

Donna Circle and Cactus Wren - Paradise Valley, Arizona. We have partnered with an Arizona home developer, to construct two luxury homes in Paradise Valley, Arizona. The first home was completed in December 2008 and listed for sale. In June 2009, the company decided not to sell the home and instead executed a two year lease agreement with a third party. The agreement contains an option to extend the lease an additional year and the third-party may purchase the home during the option period. The second home was completed in June 2009 and is listed for sale with a real estate broker.

Limco Del Mar Ranch - Ventura, California. We believe our Limco Del Mar Ranch, which we currently use for agricultural purposes, has long-term development potential. The Limco Del Mar Ranch is located on the east end of Ventura with southerly views of the Pacific Ocean. As described above in "Business Segments - Agribusiness - Farming," this property is owned by a limited partnership of which we are the general partner and own an interest of approximately 23%. The company manages the agricultural operations on this property.

Competitive Strengths

Agribusiness

With agricultural operations dating back to 1893, we are one of California's oldest citrus growers and we believe we are the largest grower of lemons and avocados in the United States. Consequently, we have developed a body of experience with many crops, most significantly lemons, avocados and oranges. The following is a brief list of what we believe are our significant competitive strengths with respect to our agribusiness segment.

- Our agricultural properties in Ventura County are located near the Pacific ocean, which provides an ideal environment for growing lemons, avocados and other row crops. Our agricultural properties in Tulare County, which is in the San Joaquin Valley in Central California, are also located in areas that are well-suited for growing citrus crops.

- Historically, a high percentage of our crops go to the fresh market, which is commonly referred to as fresh utilization, relative to other growers and packers.

- 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 90% of our agricultural land and can take a long view on fruit production practices.

- We have a well-trained and retentive labor force with many employees remaining with the company for more than 30 years.

- Our lemon packing operations allow us to enter into marketing alignments with successful companies in their respective products, such as Sunkist for lemons and other citrus crops and Calavo for avocados.

- We have achieved 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, the environment, and in consideration of animal welfare issues.

- 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. This system provides us with a majority of the electricity required to operate our packinghouse and cold storage facilities located in Santa Paula, California. In 2009, we completed the installation of a one-megawatt solar array (which we also lease 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 Tulare County, which is in the San Joaquin Valley in Central California. These investments in ground-based solar projects are new and provide us with tangible and intangible non-revenue generating benefits. In addition to the cost-savings associated with the electricity generated by these investments, they support our sustainable agricultural practices, reduce our dependence on fossil-based electricity generation and lower our carbon footprint. Moreover, power 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. We believe this dynamic may help us differentiate our products from similar commodities.

- We have made various other investments in water rights, mutual water companies and cooperative memberships. We own shares in the following mutual water companies: Thermal Belt Mutual Water Co., Farmers Irrigation Co., Canyon Irrigation Co., San Cayetano Mutual Water Co. and the Middle Road Mutual Water Co. In 2007, we acquired additional water rights in the adjudicated Santa Paula Basin (aquifer). We are a member of the Sunkist, Fruit Growers Supply and certain other cooperatives. We pay Sunkist and certain other cooperatives annual assessments into revolving funds based on sales volume or other criteria, with such funds typically being held by the applicable cooperative for a period of five years at which time they are refunded to us. We also pay into revolving funds related to fruit that we have packed by outside packing houses, with such funds typically being refunded after a period of five years.

Rental Operations

With respect to our rental operations segment, 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 organic recycling business provides us with a low cost, environmentally friendly solution to weed and erosion control.

- Our leased land business allows us to partner with other producers that can serve as a typically profitable alternative to under-producing tree crop acreage.

Real Estate Development

With respect to our real estate development segment, 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 Barbara, which we believe has a desirable climate for lifestyle families, retirees, and athletic and sports enthusiasts.

- We have entitlements to build approximately 1,500 residential units in our Santa Paula East Area I development.

- Several of our agricultural and real estate investment properties are unique and carry longer term development potential. These include Limco Del Mar and Windfall Farms, both as discussed above in "Business Segments - Real Estate Development."

- Our East Area II property has approximately 25 acres of land commercially zoned, which is adjacent to our East Area I property, and our Santa Maria properties have approximately 7 acres zoned for mixed use retail, commercial and light manufacturing.

Business Strategy

While each of our business segments 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 real estate assets.

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

Agribusiness

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

- *Expand International Production and Marketing of Lemons*. We estimate that we currently have approximately 5% 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.

- *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 the San Joaquin Valley near our existing operations in Tulare County.

- *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 outside growers to pack through our plant. Growers are only added if their fruit is of good quality and can be cost effective for both Limoneira and the outside grower. Of most importance is the overall fresh utilization rate for our fruit, which is directly related to quality.

- *Explore the Construction of a New Lemon Packinghouse*. Over the years new machinery and equipment along with upgrades have been added to our nearly 80 year old packinghouse and cold storage facilities. This, along with an aggressive and proactive maintenance program has allowed us to operate an efficient, competitive lemon packing operation. We are currently considering the construction of a new packinghouse that may have the potential to lower our packing costs by reducing labor and handling inputs.

- *Opportunistically Expand our Plantings of Avocados*. We intend to opportunistically expand our plantings of avocados primarily because our profitability and cash flow realized from our avocados frequently offsets occasional losses in other crops we grow and helps 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.

- *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 other 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.

Rental Operations

With respect to our rental operations segment, key elements of our strategy include:

- *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. Consequently, we intend to secure additional units through infill projects on existing sites and groupings of units on new sites within our owned acreage.

- *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 to lease such land.

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

Real Estate

With respect to our real estate segment, 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 land owner 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

During the fiscal year ended October 31, 2009, Sunkist marketed and sold nearly all of our lemon production and a majority of our orange production and Calavo marketed and sold all of our avocado production. We directly sell certain of our specialty citrus and other crops, which for the fiscal year ended October 31, 2009, accounted for less than 1% of our revenues. Sunkist and Calavo market and sell our fruit to a wide range of retail and food service customers throughout North America, Asia and certain other countries. While we are dependent on the success of Sunkist and Calavo, none of their respective customers to our knowledge account for more than 10% of the sales of either organization.

Seasonal Nature of Business

As with any agribusiness enterprise, our agribusiness 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 the second and third quarters. Our lemons are generally grown and marketed throughout the year. Our Navel oranges are sold January through April and our Valencia oranges are sold June through September. Our avocados are sold generally throughout the year with the peak months being March through July. Our specialty citrus is sold from November through June and our specialty crops, such as cherries, are sold in May and/or June and our pistachios are sold in September and/or October.

Competition

The lemon, avocado, orange and specialty citrus and other crop markets 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. Such 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 manufactures as well as distributors who sell and deliver to smaller customers in local markets throughout the world. In the purest sense, our largest competitors are other citrus and avocado producers in California, Mexico, Chile, Argentina and Florida, a number of which are also members of cooperatives such as Sunkist or have selling relationships with Calavo similar to that of Limoneira. In another sense, we compete with other fruits and vegetables for the share of consumer expenditures devoted to fresh fruit and vegetables: apples, pears, cherries, melons, pineapples and other tropical fruit. Avocado products compete in the supermarket with hummus products and other dips and salsas. U.S. producers of tree fruits and nuts generate approximately $18 billion of tree fruits and nuts each year, about 10% of which is exported. For our specific crops, the size of the U.S. market is approximately $300 million for lemons, approximately $300 to $400 million for avocados depending on the year, and approximately $1.5 to $2.0 billion for oranges, both fresh and juice. Competition in the various markets in which we operate 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. The degree of competition has increased due to the current economic climate which has caused an oversupply of comparable real estate available for sale or lease due to the decline in demand as a result of the current downturn in the housing market and/or the credit crisis. Our greatest direct competition for each of our current real estate development properties in Ventura and Santa Barbara Counties as well as Arizona will come from other residential and commercial developments in nearby areas. Windfall Farms will compete generally with the second home and life style real estate market which includes golf course communities, marinas, destination resorts and other equestrian facilities located in Southern California, so its competition will range over a greater area and range of consumer options.

Employees

At October 31, 2009 we had 207 employees, 55 of which were salaried and 152 of which were hourly. None of our employees are subject to a collective bargaining agreement. We believe our relations with our employees are good.

Research and Development

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 in California. 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 of such years.

Environmental and Regulatory Matters

The California State Department of Food and Agriculture oversees the packing and processing of California lemons and conducts tests for fruit quality and packaging standards. All of our packages are stamped with the state seal which qualifies our fruit as meeting standards. Various states have instituted regulations providing differing levels of oversight with respect to weights and measures, as well as quality standards.

In addition, 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.

As a result of our agricultural and real estate activities, we are subject to numerous environmental laws and regulations. These laws and regulations govern the treatment, handling, storage and disposal of materials and waste and the remediation of contaminated properties.

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.

ITEM 1A. RISK FACTORS

The risks and uncertainties described below are not the only ones we face. If any of the following risks occurs, our business, financial condition, results of operations or future prospects could be materially adversely affected.

Risks Related to Our Agribusiness

Adverse weather conditions, natural disasters, crop disease, pests and other natural conditions can 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 but difficult to predict. Unfavorable growing conditions can reduce both crop size and crop quality. In extreme cases, entire harvests may be lost in some geographic areas. These factors 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.

Citrus and avocado orchards are subject to damage from frost and freezes and this has happened periodically in the recent past. In some cases, the fruit is simply lost while in the case of extended periods of cold, the trees can also be damaged or killed.

Fresh produce is also vulnerable to crop disease and to pests, 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. For example, the Mediterranean Fruit Fly and the Asian Citrus Psyillid. 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 earnings are sensitive to fluctuations in market 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 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 are 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 January through April and our Valencia oranges are sold June through September. Our avocados are sold generally throughout the year with the peak months being March through July. Our specialty citrus is sold from November through June, our cherries in the May/June time period and our pistachios in the September/October period.

Currency exchange fluctuation may impact the results of our operations.

We distribute our products both nationally and internationally. Our international sales are 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 has led international customers, particularly in Asia, to find alternative sources of fruit.

Increases in commodity or raw product costs, such as fuel, paper, and plastics, 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 in the past negatively impacted our operating results, 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. Our fuel costs have increased substantially in recent years, and there can be no assurance that there will not be further increases in the future. In addition, the rising price of oil can have a significant impact on the cost of our herbicides and pesticides.

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 in the past negatively impacted our operating income, and there can be no assurance that these increased costs will not adversely affect our operating results in the future.

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

The average rainfall in Ventura County is between 14 and 15 inches per year, with most of it falling in Fall and Winter. These amounts are 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, 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.

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 the 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.

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

The global capital and credit markets have experienced increased volatility and disruption over the past year, 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.

The current global economic downturn may have other impacts on participants in our industry, which cannot be fully predicted.

The full impact of the current 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.

Terrorism and the uncertainty of war may have a material adverse effect on our operating results.

Terrorist attacks, such as the attacks that occurred in New York and Washington, D.C. on September 11, 2001, the subsequent response by the United States in Afghanistan, Iraq and other locations, and other acts of violence or war in the United States or abroad may affect the markets in which we operate and our operations and profitability. Further terrorist attacks against the United States or operators of United States-owned businesses outside the United States may occur, or hostilities could develop based on the current international situation. The potential near-term and long-term effect these attacks may have on our business operations, our customers, the markets for our products, the United States economy and the economies of other places we source or sell our products is uncertain. The consequences of any terrorist attacks, or any armed conflicts, are unpredictable, and we may not be able to foresee events that could have an adverse effect on our markets or our business.

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 the LIMONEIRA brand could significantly impact our business.

Consumer and institutional recognition of the LIMONEIRA 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 the LIMONEIRA brand name 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, just as we cannot pass on cost increases caused by general inflation, except to the extent reflected in market conditions and commodity prices.

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, 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 credit and term loan facilities contain various restrictive covenants that limit our and our subsidiaries' ability to take certain actions. In particular, these agreements limit our and our subsidiaries' 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 credit facility with Rabobank contains a financial covenant that requires us to maintain compliance with a specified debt service coverage ratio on an annual basis. At October 31, 2009, we were not in compliance with such debt service coverage ratio and we may not be able to comply with such covenant in the future. Although this prior noncompliance with the covenant was waived by Rabobank and the next compliance measurement date of this covenant is October 31, 2010 (which will cover fiscal 2010), our failure to comply with this covenant in the future may result in the declaration of an event of default under our revolving credit facility with Rabobank.

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 revolving 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 and our subsidiaries may still incur significant additional indebtedness, including secured indebtedness. Incurring more indebtedness could increase the risks associated with our substantial indebtedness.

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

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 revolving credit facilities and a portion of our term loan facilities bear interest at variable rates which will generally change as interest rates change. We bear the risk that the rates we are charged by our lenders 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 revolving credit facility, any of which could materially adversely affect our business, financial condition and results of operations.

Risks Related to Our Real Estate Development Business

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; and
- supply of similar product, whether residential or industrial.

The process of project development and the commitment of financial and other resources occurs 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 prolonged recession in the national economy, or a further downturn in national or regional economic conditions, could continue to adversely impact our real estate development business.

The collapse of the housing market together with the crisis in the credit markets, have resulted in a recession in the national economy. At such times, potential home buyer and commercial real estate customers often defer or avoid real estate transactions due the substantial costs involved and uncertainties in the economic environment. 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.

There is no consensus as to when the current recession will end, and California and Arizona, as two of the hardest hit states, could take longer to recover than the rest of the nation. A prolonged recession will continue to have a material adverse effect on our business and results of operations.

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. 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.

Third-party litigation could increase the time and cost of our 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 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, 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 result in delays, 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 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.

All of our developable land is in California and our business is especially sensitive to the economic conditions within California. Any adverse change in the economic climate of California, which is currently in a recession, or our region of that state, and any adverse change in the political or regulatory climate of California, or the counties where our land is located could adversely affect our real estate development activities. There is no consensus as to when the recession will end or how long it could take to recover from the recession. Ultimately, our ability to sell or lease lots may decline as a result of weak economic conditions or restrictive regulations.

If the downturn in the real estate industry or the instability of the mortgage industry and commercial real estate financing continues, 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 current downturn in the housing market or the mortgage lending crisis. However, if the downturn in the housing market or the instability of the mortgage industry continues at the time these projects move into their development and marketing phases, our residential business could be adversely affected. 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 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; and
- Increases in the cost of certain materials.

Risks Relating to Our Common Stock

There has been a limited public market for our shares and a more active market may not develop or be maintained, which could limit your ability to sell shares of our common stock.

Before this registration, there has been a limited public market for our shares of common stock. Although we intend to apply to list the common stock on the Nasdaq Stock Market, which we refer to as Nasdaq, a more active public market for our shares may not develop or be sustained after this registration. In particular, we cannot assure you that you will be able to resell our shares at or above the current market price.

The value of our common stock could be volatile.

The overall market and the price of our common stock may fluctuate greatly. 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 December 31, 2009, directors and members of our executive management team beneficially owned or controlled approximately 16% 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 shareholders of a significant portion of that shareholder’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 could incur increased costs as a result of being a publicly traded company.

As a company with publicly traded securities, we could incur significant legal, accounting and other expenses not presently incurred. In addition, the Sarbanes-Oxley Act of 2002, which we refer to as SOX, as well as rules promulgated by the U.S. Securities and Exchange Commission, which we refer to as 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.

If we do not timely satisfy the requirements of Section 404 of SOX, the trading price of our common stock could be adversely affected.

As a voluntary filer with the SEC, we are currently subject to Section 404 of SOX, as a non-accelerated filer. SOX requires us to document and test the effectiveness of our internal control over financial reporting in accordance with an established internal control framework and to report on our conclusion as to the effectiveness of our internal control over financial reporting. Our annual report for the fiscal year ending October 31, 2011 will include management's first report of internal control over financial reporting. Any delays or difficulty in satisfying the requirements of SOX could, among other things, cause investors to lose confidence in, or otherwise be unable to rely on, the accuracy of our reported financial information, which could adversely affect the trading price of our common stock.

ITEM 2. FINANCIAL INFORMATION

Selected Financial Data

	2009	2008	2007	2006	2005
Net operating revenues	$ 34,838,000	$ 53,512,000	$ 48,267,000	$ 51,619,000	$ 39,394,000
Loss (income) from continuing operations	$ (2,865,000)	$ 3,747,000	$ 2,391,000	$ 3,791,000	$ 2,343,000
Basic net (loss) income from continuing operations per share of common stock	$ (2.78)	$ 3.13	$ 1.92	$ 3.57	$ 2.00
Total assets	$ 141,868,000	$ 140,990,000	$ 127,341,000	$ 86,961,000	$ 90,935,000
Long term debt	$ 69,716,000	$ 65,582,000	$ 38,475,000	$ 14,515,000	$ 14,929,000
Redeemable preferred stock	$ 3,000,000	$ 3,000,000	$ 3,000,000	$ 3,000,000	$ 3,000,000
Cash dividends declared per share of common stock	$ 0.625	$ 3.25	$ 2.25	$ 2.25	$ 2.25

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of the company's financial condition and results of operations should be read in conjunction with the company's consolidated financial statements and the notes to those statements included elsewhere in this registration statement on Form 10. The following discussion and analysis contains forward-looking statements. Forward-looking statements in this registration statement on Form 10 are subject to a number of risks and uncertainties, some of which are beyond the company's control. The company's actual results, performance, prospects or opportunities could differ materially from those expressed in or implied by the forward-looking statements. Additional risks of which the company is not currently aware or which the company currently deems immaterial could also cause the company's actual results to differ, including those discussed in the sections entitled "Forward-Looking Statements" and "Risk Factors" included elsewhere in this registration statement on Form 10.

Summary

We have three business segments: agribusiness, rental operations, and real estate development. Our agribusiness segment generates revenue from our farming and lemon packing operations, our rental operations segment generates revenues from our housing, organic recycling, and commercial and leased land operations, and our real estate development segment has not yet generated any significant revenues to-date.

From a general view, we see the company as a land and farming company that generates annual cash flows to support its progress into diversified real estate development activities. As real estate developments are monetized our agribusiness will then be able to expand more rapidly into new regions and markets.

We believe we are the largest producer of lemons and avocados in the United States and, as a result, our agribusiness segment is the largest of our three segments, representing approximately 89%, 93% and 93% of our fiscal 2009, fiscal 2008 and fiscal 2007 consolidated revenues, respectively. Our lemons are primarily marketed by Sunkist, with a vast majority of our domestic lemon and specialty citrus orders processed through the Sunkist network. Approximately 85% of our domestic lemon orders are repeat weekly/monthly customers and approximately 95% of those orders are FOB shipping dock. Approximately 70% of our lemons are shipped to food service and wholesale customers with the remaining 30% shipped to retail customers. Our export orders are placed through the Sunkist system with long-standing United States exporters. All orders placed through the Sunkist network are priced, invoiced and collected by Sunkist with payment to the company guaranteed by Sunkist beginning 24 hours after acceptance of our fruit by the customer. All commercial lemon by-products, such as juice, oils and essences, are processed by Sunkist with payment to us within approximately 12 to 18 months after the customer's receipt of the product.

The industry average on-tree price for fresh lemons has ranged from a low of $14.90 per 40-pound box in 2004 to a high of $29.00 per 40-pound box in 2008. Fluctuations in price are a function of global supply and demand with weather conditions, such as unusually low temperatures, typically having the most dramatic effect on the amount of lemons supplied in any individual growing season.

We believe we have a competitive advantage by maintaining our own lemon packing operation, and though a significant portion of the costs related to our lemon packing operations are fixed. As a result, cost per carton is a function of fruit throughput. While we regularly monitor our costs for redundancies and opportunities for cost reductions, we also supplement the number of lemons we pack in our packinghouse with additional lemons from outside growers. Because the fresh utilization rate for our lemons, or percentage of lemons we harvest and pack that go to the fresh market, is directly related to the quality of lemons we pack and, consequently, the price we receive per 40-pound box, we only pack lemons from outside growers if we determine their lemons are of good quality.

Our avocado producing business is important to us yet nevertheless faces some constraints on growth as there is little additional land that can be cost-effectively acquired to support new avocado orchards in Southern California. Also, avocado production is cyclical as avocados typically bear fruit on a bi-annual basis with large crops in one year followed by smaller crops the next year. While our avocado production remains volatile, the profitability and cash flow realized from our avocados frequently offsets occasional losses in other crops we grow and helps to diversify our fruit production base.

In addition to growing lemons and avocados, we also grow oranges and specialty citrus and other crops, typically utilizing land not suitable for growing high quality lemons. We regularly monitor the demand for the fruit we grow in the ever-changing marketplace to identify trends. For instance, while per capita consumption of oranges in the United States has been decreasing since 2000 primarily as a result of consumers increasing their consumption of mandarin oranges and other specialty citrus, the international market demand for U.S. oranges has increased. As a result, we have focused our orange production on high quality late season Navel and Valencia oranges primarily for export to Japan, China and Korea, which are typically highly profitable niche markets. We produce our specialty citrus and other crops in response to consumer trends we identify and believe that we are a leader in the niche production and sale of certain of these high margin fruits. Because we carefully monitor the respective markets of specialty citrus and other crops, we believe that demand for the types and varieties of specialty citrus and other crops that we grow will continue to increase throughout the world.

Our rental operations segment represented approximately 11%, 7% and 7% of our fiscal 2009, fiscal 2008 and fiscal 2007 consolidated revenues, respectively. Our rental housing units generate reliable cash flows which we use to partially fund the operations of all three of our business segments, and provide affordable housing to many of our employees, including our agribusiness employees, a unique employment benefit that helps us maintain a dependable, long-term employee base. In addition, our leased land business provides us with a typically profitable diversification.

Our real estate development segment has not yet generated any significant revenues to-date. We recognize that long-term strategies are required for successful real estate development activities. We plan to redeploy any financial gains into other income producing real estate as well as additional agricultural properties.

Recent Developments

Dividend Payment

On January 4, 2010, the company paid a $0.3125 per share dividend in the aggregate approximate amount of $0.4 million to stockholders of record on December 15, 2009.

Windfall Investors, LLC

In September of 2005, the Company, along with Windfall, LLC, formed Windfall Investors, LLC, which we refer to as Windfall Investors, to acquire Windfall Farms, an approximately 720 acre former equestrian breeding and training farm located near Paso Robles, California. Initially, the company owned 15% of the equity interests in Windfall Investors and Windfall, LLC, the managing partner, held 85% of the equity interests in Windfall Investors. Windfall Investors purchased Windfall Farms for $12.0 million, which was financed using a $9.8 million secured long-term loan from Farm Credit West, which we refer to as the Windfall term loan, and $2.3 million from an $8.0 million unsecured revolving line of credit also with Farm Credit West, which we refer to as the Windfall revolving line of credit. In 2008, the Windfall revolving line of credit was increased to $10.5 million. The company and the equity holders of Windfall initially guaranteed, jointly and severally, the indebtedness outstanding under the Windfall term loan and Windfall revolving line of credit.

Subsequent to October 31, 2009 the managing partner of Windfall Investors resigned its position and assigned all of its rights and interest in Windfall Investors to the company and the company released Windfall, LLC and its equity holders from certain liabilities associated with Windfall Investors. Pursuant to its terms, the guarantee will remain in effect for the entire term of the Windfall term loan and Windfall revolving line of credit. Should Windfall Investors be in default at any time during that term, Farm Credit West could declare the outstanding balance due and payable. The maximum amount of potential future payment for us due to a default by Windfall Investors under the term of the guarantee is $20.3 million. Conditions of default include, among other things, failure to make scheduled payments, declaration of bankruptcy, material adverse change in financial condition and breach of any term or representation in the loan agreements.

Beginning in fiscal 2010 the results of operations and all of the assets and liabilities of Windfall Investors will be included in the consolidated financial statements of the Company. In addition, the audited financial statements of Windfall Investors for the year ended December 31, 2008 are included in this Form 10 beginning on page F-56. The outstanding debt on the Windfall Investors balance sheet at October 31, 2009 consisted of approximately $9.2 million under the Windfall term loan, and approximately $10.0 million under the Windfall revolving line of credit. The Windfall term loan has monthly principal and interest payments of $63,000 through October 2011. We expect that in November 2011, the interest rate for the Windfall term loan will be renegotiated and quarterly principal and interest payments will continue through October 2035. The Windfall revolving line of credit has monthly interest only payments and matured in November, 2009 and the maturity date of the Windfall revolving line of credit was subsequently extended by Farm Credit West until March 1, 2010. The company is in the process of refinancing the Windfall revolving line of credit on a long-term basis through amendment to the Windfall revolving line of credit agreement or alternatively through its existing facility with Rabobank.

Results of Operations

Selected Results for Fiscal Years 2009, 2008 and 2007

Selected results of operations for the fiscal years ended October 31, 2009, 2008 and 2007 were as follows:

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

Fiscal Year Ended October 31, 2009 Compared to Fiscal Year Ended October 31, 2008

Revenues

For fiscal 2009 the company had revenues of $34.8 million compared to revenues of $53.5 million in fiscal 2008, a decline of approximately 35%. The decline in revenues primarily resulted from a decrease in fresh lemon cartons sold in 2009 compared to 2008 and reduced pricing for the lemons sold. In 2009 we sold approximately 1.3 million fresh cartons at an average price of $15.72 per carton compared to approximately 1.4 million fresh cartons sold in 2008 at an average price of $27.15 per carton. The decline in the number of cartons sold was primarily attributable to a decline in the food service market for lemons, which we believe was related to decreases in restaurant business because of pressures on consumers' disposable income due to the recession in the United States. Current short and long term projections for lemon sales point to increased demand in the food service category which is the dominant category for lemon sales. The decline in pricing for fresh lemons was primarily attributable to a significant oversupply of product resulting from simultaneous production recoveries in California, Argentina, Chile and Spain from the damaging freezes in 2007. In 2009, we harvested 2.4 million pounds of avocados compared to 3.7 million pounds in 2008, with the decrease attributable to an unseasonable heat event experienced during bloom and set. Total avocado revenue however was slightly higher in 2009 compared to 2008 primarily because of the estimated crop insurance claim settlement we recorded in 2009 related to the unseasonable heat event experienced during bloom and set in 2008 which adversely impacted our 2009 avocado production. Revenue in our rental and real estate businesses was $3.8 million and $3.7 million in 2009 and 2008, respectively.

Costs and Expenses

For fiscal 2009 the company had agricultural costs and expenses of $27.3 million compared to expenses of $34.8 million in fiscal 2008. The $7.5 million decrease was attributable to lower fresh utilization and per carton sales prices for lemons in 2009 compared to 2008 resulting in $3.4 million lower payments to our affiliated growers in 2009 compared to 2008. Electricity costs related to our lemon packing operations were substantially lower in 2009 compared to 2008 as a direct result of the completion in late 2008 of our one-megawatt solar generator used to provide power for our lemon packing operations. Lower oil prices and pesticide costs in 2009 compared to 2008 also contributed to the decrease. Additionally, we recorded a $1.2 million non-cash write-off in connection with the removal of 133 acres of specialty crops in 2008. Other expenses, which are comprised of the costs related to our rental and real estate development businesses, were $2.4 million in 2009 compared to $3.2 million in 2008. This $0.8 million decrease was attributable to lower expenses in 2009 related to our East Area I project in Santa Paula, California. The majority of the cost for planning and entitlement related to this project were incurred in 2008 and prior years. Expenses related to our rental business decreased by $0.1 million from $2.2 million in 2008 to $2.1 million in 2009 primarily due to higher repair and maintenance costs incurred in 2008 related to our residential housing units. Depreciation expense in our agricultural, rental and real estate development businesses was $1.6 million, $0.4 million and $0.04 million, respectively in 2009 compared to $1.7 million, $0.4 million and $0.0 million, respectively in 2008.

Selling, General and Administrative expenses in 2009 were $6.5 million compared to $8.3 million in 2008. This $1.8 million net decrease was primarily the result of lower incentive costs in 2009 related to the Company's management incentive bonus program, which we refer to as the MIP. In 2008 participants in the MIP were awarded incentive payments of $1.5 million compared to no awards earned in 2009. Additionally, the company spent $0.5 million less in 2009 compared to 2008 for consulting, travel, promotions and other costs. Partially offsetting these decreases were $0.2 million of higher legal, audit and compliance costs in 2009 compared to 2008.

In 2009 we recorded impairment charges related to certain of our real estate assets totaling $6.2 million compared to $1.3 million in 2008. As a result of the continuing downturn in the overall real estate market during the past year we reduced the basis in our Santa Maria development projects by $4.6 million to their appraised value of $18.8 million. Additionally, in 2009 we reduced the basis in our Paradise Valley luxury home developments by $1.6 million to their appraised value of $6.2 million. In 2008 we recorded an impairment charge of $1.3 million related to our Santa Maria development projects.

Other Income, Expense

The Company's other income, expense consists of interest income, interest expense, gain on the sale of securities and other miscellaneous income/expense. Our interest income in 2009 was $0.2 million compared to $0.9 million in 2008. This decrease was the result of $0.7 million of interest income recognized during the first five months of 2008 on loans receivable from Templeton Santa Barbara, LLC, which we refer to as Templeton, prior to the consolidation of Templeton. Our interest expense was $0.7 million in 2009 compared to $1.4 million in 2008. This $0.7 million decrease was primarily the result of a lower cost of borrowing in 2009 as compared to 2008 as well as additional capitalization of interest related to real estate projects. During 2009 the weighted average interest rate on our debt was 3.96% compared to a weighted average interest rate of 5.22% in 2008. In 2009, other income, expense includes a $2.7 million profit on the sale of 335,000 shares of Calavo common stock that we sold in October, 2009. These shares were a part of the 1,000,000 shares of Calavo common stock that we purchased in 2005.

Income Taxes

The company recorded an income tax benefit of $2.3 million in 2009 on pre-tax losses from continuing operations of $5.0 million compared to an income tax provision of $2.1 million on pre-tax income from continuing operations of $5.7 million in 2008. Our effective tax rate for 2009 was 44.3% compared to 36.1% for 2008. The change in the effective tax rate from 2008 to 2009 was attributable to a change in the domestic production deduction related to our sales through the Sunkist cooperative and a change in certain unrecognized income tax benefits. Deferred income taxes result principally from differences between the financial and tax reporting expense items such as depreciation, state income taxes, vacation accruals and mark-to-market adjustments. Long term deferred tax liabilities net of long term deferred tax assets at October 31, 2009 were $8.8 million compared to $11.5 million at October 31, 2008. This decrease was primarily attributable to the deferred tax assets recorded in connection with the impairment charges related to our real estate projects mark-to-market adjustments related to available-for-sale securities and the minimum pension liability adjustment recorded in 2009.

Fiscal Year Ended October 31, 2008 Compared to Fiscal Year Ended October 31, 2007

Revenues

For fiscal 2008 the company had revenues of $53.5 million compared to revenues of $48.3 million in fiscal 2007, an increase of approximately 11%. The increase in revenues resulted from the company experiencing minimal impact from global climate conditions in 2007 that dramatically reduced lemon production in California, Argentina, Chile and Europe. This circumstance enabled the company to achieve over 70% fresh utilization at record sales prices for lemons in fiscal 2008. These same conditions, however, had the opposite effect on our avocado crops in both fiscal 2008 and fiscal 2007 with production falling to under 4 million pounds in fiscal 2008 and fiscal 2007 from a record 17.7 million pounds in fiscal 2006. Production of both Navel and Valencia orange varieties also declined in fiscal 2008 compared to fiscal 2007 resulting in a decrease in revenue for these varieties of $0.9 million. Specialty crop revenue increased nearly $0.7 million in fiscal 2008 compared to fiscal 2007. This increase was attributable to more production of Cara Cara Navel oranges, pluots, minneolas and Meyer lemons, and resulted from a larger number of planted acres becoming full bearing in 2008. Revenue for our rental and real estate development businesses was $3.7 million and $3.5 million in 2008 and 2007, respectively.

Costs and Expenses

For fiscal 2008 the company’s agricultural costs were $34.8 million compared to $32.0 million in 2007. This $2.8 million increase was attributable to a $1.2 million non-cash write-off in 2008 in connection with tree removals. Additionally, higher oil prices in fiscal 2008 directly impacted our cost of certain of the pesticides and herbicides used in our farming operations. Other expense consists of the costs and expenses related to our rental and real estate development businesses and were $3.2 million in 2008 and 2007.

Our selling, general and administrative costs in 2008 were $8.3 million compared to $9.6 million in 2007. This $1.3 million decrease was attributable to lower costs related to our stock compensation program in 2008. In 2008. The Company recorded compensation expense of $0.6 million related to its stock grant performance bonus program compared to $3.2 million of compensation expense related to this program in 2007. Partially offsetting this decrease in expense were increases in our legal and professional fees, primarily related to audit and tax work and consulting fees primarily related to company structure analysis work.

In 2008 we recorded a $1.3 million impairment charge to write down the carrying value of our Santa Maria development project to its then appraised value. This appraised value reflected the downturn in the economy in general and the housing market in particular.

Other income and expenses include interest income, interest expense and other miscellaneous income and expenses. Interest income for 2008 was $0.9 million compared to $2.3 million in 2007. The 2007 interest income included $1.9 million of interest income on loans to Templeton which represents a full year as compared to five months of interest income in 2008 prior to the consolidation of Templeton. Interest expense for 2008 was $1.4 million compared to $2.1 million in 2007. This reduction was primarily attributable to lower overall borrowing costs in 2008 compared to 2007. During 2008 our weighted average interest rate on our debt was 5.22% compared to a weighted average interest rate of 6.54% in 2007. Additionally, because of the changing nature of one of our real estate development projects, a greater portion of the interest cost associated with the debt incurred for that project was capitalized in 2008 as compared to 2007.

Income Taxes

The company recorded an income tax provision of $2.1 million in 2008 on pre-tax income from continuing operations of $5.7 million compared to a $1.2 million provision on pre-tax earnings from continuing operations of $3.5 million in 2007. Our effective tax rate for 2008 was 36.1% compared to 32.9% for 2007. The change in the effective tax rate from 2007 to 2008 was attributable to a change in the domestic production deduction related to our sales through Sunkist, dividend income exclusions and changes in certain unrecognized income tax benefits. Deferred income taxes result principally from differences between the financial and tax reporting expense items such as depreciation, state income taxes, vacation accruals and mark-to-market adjustments. Long term deferred tax liabilities net of long term deferred tax assets at October 31. 2008 were $11.5 million compared to $16.7 million at October 31, 2007. This decrease was primarily attributable to mark-to-market adjustments related to available-for-sale securities.

Segment Results of Operations

We evaluate the performance of our agribusiness, rental operations, and real estate development segments separately to monitor the different factors affecting financial results and each segment is subject to review and evaluation as we monitor current market conditions, market opportunities, and available resources.

Selected segment results of operations for the fiscal years ended October 31, 2009, 2008 and 2007 were as follows:

	2009	2008	2007
Revenues			
Agribusiness	$ 31,033,000	$ 49,794,000	$ 44,751,000
Rental operations	3,766,000	3,718,000	3,516,000
Real estate development	39,000	—	—
Total revenues	34,838,000	53,512,000	48,267,000
Costs and expenses			
Agribusiness	27,281,000	34,805,000	32,036,000
Rental operations	2,061,000	2,236,000	2,073,000
Real estate development	318,000	991,000	1,160,000
Corporate and other	6,469,000	8,292,000	9,627.000
Impairment charges			
Real estate development	6,203,000	1,341,000	—
Loss on sale of assets			
Corporate and other	10,000	11,000	56,000
Total costs and expenses	42,342,000	47,676,000	44,952,000
Operating income (loss)			
Agribusiness	3,752,000	14,989,000	12,715,000
Rental operations	1,705,000	1,482,000	1,443,000
Real estate development	(6,482,000)	(2,332,000)	(1,160,000)
Corporate and other	(6,479,000)	(8,303,000)	(9,683,000)
Total operating income (loss)	$ (7,504,000)	$ 5,836,000	$ 3,315,000

Fiscal Year Ended October 31, 2009 Compared to Fiscal Year Ended October 31, 2008

Agribusiness

For fiscal 2009 agribusiness revenues were $31.0 million compared to agribusiness revenues of $49.8 million in fiscal 2008, a decline of approximately 38%. The decline in agribusiness revenues resulted primarily from lower lemon revenue. In 2009 we had $22.3 million of lemon revenue compared to $40.3 million in 2008. In 2009 we sold 1.3 million fresh cartons of lemons at an average selling price of $15.72 per carton compared to 1.4 million fresh cartons at an average price of $27.15 per carton in 2008. Somewhat offsetting this reduction in fresh lemon sales were substantially higher prices for lemon juice products. In 2009 our total lemon revenue includes sales of juice products at approximately $70 per ton compared to approximately $40 per ton in 2008.

For fiscal 2009 agribusiness operating expenses were $27.3 million compared to $34.8 million in fiscal 2008. The decrease was primarily due to lower fresh utilization and per carton sales prices in 2009 resulting in lower payments to our affiliated growers. Additionally, lower oil prices in 2009 resulting lower pesticide costs; lower electricity costs in 2009 for our lemon packinghouse attributable to the completion in late 2008 of our one-megawatt solar generator and a $1.2 million write-off in 2008 related to tree removals contributed the balance of the decrease. Depreciation expense related to our agribusiness segment was $1.6 million in 2009 compared to $1.7 million in 2008.

Rental Operations

For fiscal 2009 rental operations revenues were $3.8 million compared to rental operations revenues of $3.7 million in fiscal 2008. Revenues for our housing and commercial units were $2.1 for 2009 and 2008, which accounted for approximately 57% and 58% of this segments revenue, respectively, with our land leases accounting for the majority of the balance in each year. Costs for our rental segment in 2009 were $2.1 million compared to $2.2 million in 2008 and were primarily incurred in connection with repairs and maintenance of the 193 housing units. Depreciation expense in our rental segment was $0.4 million in 2009 and 2008.

Real Estate Development

For fiscal 2009 real estate revenues were $0.04 million of lease income related to certain of our other real estate investments. Our real estate development revenue in 2008 was $0.0 million.

Real estate development costs and expenses in 2009 were $0.3 million compared to $1.0 million in 2008. This reduction was primarily attributable to lower costs associated with our East Area 1 development project. The majority of the costs for planning and entitlement for this project were incurred in 2008 and prior years. Depreciation expense in our real estate development segment was $0.04 million in 2009 and $0 in 2008. Additionally, in 2009 we recorded a $6.2 million non-cash impairment charge to write down the carrying costs of our Santa Maria and Paradise Valley real estate projects to their appraised values reflecting the continuing economic downturn in 2009. In 2008 we recorded a $1.3 million non-cash impairment charge to write down the carrying cost of our Santa Maria real estate project to its then appraised values.

Corporate

Corporate operating expense includes selling, general and administrative and other costs not allocated to the operating segments. Corporate operating expenses in fiscal 2009 were $6.5 million compared to $8.3 million in 2008. This $1.8 million decrease was primarily attributable to lower employee incentive costs in 2009 and to a lesser extent, lower overall legal and professional costs in 2009 compared to 2008 primarily related to work done in 2008 related to Company organizational matters.

Fiscal Year Ended October 31, 2008 Compared to Fiscal Year Ended October 31, 2007

Agribusiness

For fiscal 2008 agribusiness revenues were $49.8 million compared to agribusiness revenues of $44.8 million in fiscal 2007, an increase of approximately 11%. The increase in agribusiness revenues resulted from a perfect storm of events that produced favorable results for the company's agribusiness segment, particularly the company's lemon operations. In 2007, devastating freezes destroyed lemon crops in California, Argentina, Chile and Europe, dramatically reducing global supplies. Our lemon operations were largely unaffected by the freeze which enabled us to generate operating profits in 2008 of approximately $14 million through sales of approximately 1.4 million cartons of fresh lemons at an average price of $27.15 per carton. In comparison, in 2007, the company's previous best lemon year, the company generated operating profits of approximately $10 million through the sale of 1.5 million cartons of fresh lemons at an average price of $23.45 per carton.

In contrast, the perfect storm that benefited our lemon operations had a devastating affect on our avocado operations with the freeze destroying much of our avocado crop in 2007 and 2008. In 2008, we generated operating profits of $0.2 million on 3.7 million pounds of avocados, while in 2007 we generated operating profits of $0.1 million on approximately 4 million pounds of avocados.

In 2008, despite industry-wide surplus and resulting low prices, we enjoyed relatively favorable Valencia and Navel orange results. Our well-honed strategy of anticipating, and then targeting, undersupplied markets allowed us to maximize the price for our Navel varieties. Even so, operating profit of $0.9 million in 2008 for our orange operations was down considerably from our operating profit of $2.1 million in 2007.

Our specialty citrus operations enjoyed another year of solid growth in 2008 with improvements in all varieties yielding operating profit of $1.4 million before a $1.2 million non-cash write-off recorded in connection with the removal of approximately 166 acres of underperforming cherries and pluots and representing a 58% increase in operating profit over 2007.

For fiscal 2008 agribusiness operating expenses were $34.8 million compared to agribusiness operating expenses of $32.0 million in fiscal 2007. The change was primarily due to the company's removal of 133 acres of cherries and pluots and replanting the acreage with lemons and oranges. Our non-cash orchard write-off in 2008 was $1.2 million.

Rental Operations

For fiscal 2008 our rental operations revenues were relatively flat compared to fiscal 2007. The 2008 revenues consisted of $2.1 million of housing and commercial revenue, $1.4 million of leased land revenue and $0.2 million of organic recycling revenue. For 2007 the revenues from housing and commercial, leased land and organic recycling were $2.1 million, $1.3 million and $0.1 million, respectively. Higher maintenance costs in 2008 compared to 2007 for our housing units resulted in an approximately $0.1 million decline in operating profit in our housing and commercial operations which was offset by an increase in leased land revenue in 2008 compared to 2007. During 2007 we increased our leased land acreage to 586 acres. Our organic recycling operations contributed a consistent, reliable revenue stream in both fiscal 2008 and fiscal 2007.

For fiscal 2008 housing and commercial operating expenses were $2.2 million compared to housing and commercial operating expenses of $2.1 million in fiscal 2007. The change was primarily due to an increase in maintenance expenses for our rental properties. During 2007 we increased the number of acres we lease to third party agricultural tenants from 509 in 2006 to 586 in 2007. Because of enjoying a full year of revenue on this increased acreage in 2008, our leased land operating profit was $1.4 million in 2008 compared to $1.2 million in 2007.

Real Estate Development

For fiscal 2008 and 2007 the real estate development segment had no revenue. Costs and expenses were $1.0 million in 2008 compared to $1.2 million in 2007. The costs in both years were attributable to the planning and entitlement costs associated with our East Area 1 development project. Additionally, during 2008 and 2007, we incurred costs of $1.8 million and $2.1 million, respectively that were capitalized into the carrying value of this project. In 2008, as a result of the down turn in the overall housing market we recorded a $1.3 million non-cash impairment charge to write down the carrying value of our real estate project in Santa Maria, California to its appraised value.

Corporate

Corporate operating expense includes selling, general and administrative costs not allocated to the operating segments. Corporate operating expense in fiscal 2008 were $8.3 million compared to $9.6 million in fiscal 2007. This $1.3 million decrease was primarily attributable to lower costs associated with our stock grant performance bonus program in 2008 partially offset by higher employee incentive costs and legal and consulting costs in 2008 compared to 2007. In 2008, we incurred costs of $0.6 million related to our stock grant performance bonus plan compared to costs of $3.2 million in 2007.

Liquidity and Capital Resources

Overview

Our liquidity and capital position fluctuates during the year depending on seasonal production cycles, weather events, and final 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, our second and third quarters. To meet working capital demand, we utilize our revolving credit facility to fund agricultural inputs and farm management practices until sufficient returns from crops allow us to pay down amounts borrowed. Raw materials needed to propagate the various crops grown by us consist primarily of fertilizer, herbicides, insecticides, fuel and water and are readily available from local sources.

Accordingly, we have established well-defined priorities for our available cash, including investing in core business segments to achieve profitable future growth. To enhance shareholder value, we will continue to make investments in our real estate segments to secure land entitlement approvals, build infrastructure for our developments, ensure adequate future water supplies, and provide funds for general land development activities. Within our farming segment, we will make investments as needed to improve efficiency and add capacity to its operations when it is profitable to do so.

Cash Flows from Operating Activities

For fiscal 2009, the company's operating activities used approximately $1.0 million compared to providing approximately $6.9 million in fiscal 2008. The decrease in cash provided by operating activities in 2009 was primarily due to lower income from continuing operations in 2009 compared to 2008. Additionally, certain decreases in our net long term deferred tax liabilities in 2009 resulted in a reduction in cash provided by operating activities of $2.2 million compared to an increase in cash from operating activities of $0.4 million in 2008. The primary causes for the decrease in our net long term deferred tax liabilities were long term deferred tax assets generated from the non-cash impairment charges recorded in 2009 related to certain of our real estate development projects, mark-to-market adjustments related to available-for-sale securities and adjustments recorded related to our pension plan. Significant non-cash charges reflected in fiscal 2009 operating cash flow include: (i) depreciation and amortization charges totaling $2.3 million, (ii) impairment of real estate development projects totaling $6.2 million, and (iii) stock compensation expense totaling $0.8 million.

Cash Flows from Investing Activities

Cash flows used in investing activities were approximately $1.5 million for fiscal 2009, compared to cash flows used in investing activities of $29.4 million for fiscal 2008. The change was primarily due to capital expenditures of $7.2 million for 2009 compared to $29.2 million for 2008. Our 2008 capital expenditures include the approximately $22 million cost to purchase approximately 63 acres of land that will be a part of our East Area 1 development project. Our cash flows from investing activities in fiscal 2009 include proceeds of $6.1 million from our sale of 335,000 shares of the 1,000,000 shares of Calavo common stock that we purchased in 2005.

We expect capital expenditures in 2010 to be approximately $3.7 million. As noted above, we are evaluating the construction within the next five years of a new packinghouse that has the potential to reduce our packing costs by reducing labor and handling inputs.

Cash Flows from Financing Activities

Cash flows provided by financing activities were approximately $3.0 million for fiscal 2009, compared to cash flows provided by financing activities of approximately $22.1 million for fiscal 2008. Net cash provided from the issuance and payments of debt was $4.1 million and $27.1 million in 2009 and 2008, respectively. The 2008 net cash provided from the issuance and payments of debt includes the $22 million of debt used to purchase the approximately 63 acres that will be a part of our East Area 1 development project. In addition, we used cash of $1.0 million and $3.9 million in fiscal 2009 and fiscal 2008, respectively, for dividends to holders of our common and preferred stock.

Transactions Affecting Liquidity and Capital Resources

We have a revolving credit facility with Rabobank, NA, which we refer to as Rabobank, that permits us to borrow up to $80.0 million and two term loans with Farm Credit West, FLCA, as successor by merger to Central Coast Federal Land Bank, which we refer to as Farm Credit, for an aggregate amount of approximately $10.0 million.

As of October 31, 2009, we had $69.7 million of long-term debt under credit facilities of which $0.5 million is payable in fiscal 2010. In addition, beginning in fiscal 2010 we will consolidate Windfall Investors which will result in an additional $19.2 million of debt being recorded by the company, of which $10.1 is payable in fiscal 2010. We anticipate being able to extend on a long-term basis with Farm Credit West, $10.0 million of Windfall Investors revolving line of credit debt that currently matures on March 1, 2010. In addition, as of October 31, 2009 our borrowing capacity under our existing credit facility with Rabobank was approximately $17.9 million.

We believe that the cash flows from operations and available borrow capacity from our existing credit facilities will be sufficient to satisfy our future capital expenditures, debt service, working capital needs and of other contractual obligations for fiscal 2010. In addition we have the ability to control the timing of our investing cash flows to the extent necessary based on our liquidity demands.

Rabobank Revolving Credit Facility

As of December 31, 2009, we had $61.7 million outstanding under our Rabobank revolving credit facility, $22.5 million of which bears interest at a variable rate equal to the one month London Interbank Offer Rate, or LIBOR, plus a spread of 1.5%. At December 31, 2009 the interest rate on $22.5 million outstanding balance was 1.73%. The variable interest rate resets on the first of each month.

Under the Rabobank revolving credit facility, the company has the option of fixing the interest rate on any portion of outstanding borrowings using interest rate swaps. The fixed interest rate is calculated using the two, three or five year LIBOR rates plus a spread of 1.5%. The Company has utilized interest rate swaps to fix interest rates on three separate outstanding balances under the Rabobank revolving credit facility, one for $22.0 million at 5.75% for a five year term, one for $10.0 million at 4.7% for a two year term and one for $10.0 million at 3.86% for a two year term. The five year interest rate swap matures in June 2013 and the two year interest rate swaps mature in November and December 2010. Interest is payable monthly and all outstanding principal is due in full in June 2013.

The Rabobank revolving credit facility is secured by certain of our agricultural properties and all of our equity interest in the San Cayetano Mutual Water Company, and 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. We also are subject to covenant that the company maintain a debt service coverage ratio (as defined in the Rabobank revolving credit facility) of less than 1.25 to 1.0 measured annually. We were unable to comply with the debt service coverage ratio for fiscal 2009 and in December 2009 received a waiver of such non-compliance from Rabobank for fiscal 2009. Under the terms of our agreement with Rabobank, the debt service coverage ratio is measured annually and as such the next compliance measurement date of this covenant is October 31, 2010 which will cover fiscal 2010. We currently anticipate to be in compliance with all covenants under our agreement with Rabobank for fiscal 2010.

Unless waived, our breach of any of these covenants would be an event of default under the Rabobank revolving credit facility, among other customary events of default. Upon the occurrence of an event of default, Rabobank would have the right to accelerate the maturity of any debt outstanding under the revolving credit facility and we would be subject to additional restrictions, prohibitions and limitations.

We have the ability to voluntarily prepay any amounts outstanding under the Rabobank revolving credit facility without penalty.

Farm Credit Term Loans

As of December 31, 2009, we had $7.1 million outstanding under our term loans with Farm Credit. The first loan with Farm Credit is a term loan in an original principal amount of approximately $9 million and bears interest at a variable rate currently at to 3.25%. Quarterly principal and interest payments are due through November 2022, when the note matures. This term loan is secured by certain of our agricultural properties and includes certain affirmative covenants including, among other customary covenants, financial reporting requirements and restrictions on the sale of assets.

The second loan with Farm Credit is a term loan in an original principal amount of $1.0 million and bears interest at a variable rate currently at 3.25%. Monthly principal and interest payments are due through May 2032, when the note matures. This term loan is secured by the same agricultural properties that are securing the first Farm Credit term loan and includes certain affirmative and restrictive covenants including, among other customary covenants, financial reporting requirements, restrictions on the sale of assets, and prohibitions on the incurrence of additional debt.

Windfall Invstors, LLC Revolving Line of Credit and Term Loan

As described in “Recent Developments - Windfall Investors, LLC” above and “Off-Balance Sheet Arrangements” below, we guaranteed, jointly and severally, with Windfall, all amounts outstanding under the Windfall revolving line of credit and the Windfall term loan. Beginning in fiscal 2010 the results of operations and all of the assets and liabilities of Windfall Investors will be included in the consolidated financial statements of the company.

The outstanding debt on the Windfall Investors balance sheet at October 31, 2009 consisted of approximately $9.2 million under the Windfall term loan, and approximately $10.0 million under the Windfall revolving line of credit. The Windfall term loan has monthly principal and interest payments of $63,000 through October 2011. We expect that in November 2011, the interest rate for the Windfall term loan will be renegotiated and quarterly principal and interest payments will continue through October 2035. The Windfall revolving line of credit has monthly interest only payments and matured in November, 2009 and the maturity date of the Windfall revolving line of credit was subsequently extended by Farm Credit West until March 1, 2010 and is currently being renegotiated.

In addition, the audited financial statements of Windfall Investors for the year ended December 31, 2008 are included in this Form 10 beginning on page F-56.

Interest Rate Swaps

We enter into interest rate swaps (derivatives) to minimize the risks and costs associated with our financing activities. Our interest rate swaps (derivatives) qualify for hedge accounting. Therefore, the fair value adjustments to the underlying debt are deferred and included in accumulated other comprehensive income (loss) in the consolidated balance sheets at October 31, 2009 and 2008. See Note 12 in the notes to the consolidated financial statements for the year ended October 31, 2009 included elsewhere in this registration statement for more information about our interest rate swaps (derivatives).

Contractual Obligations

The following table presents the company's total contractual obligations at October 31, 2009 for which cash flows are fixed or determinable:

	Payments due by Period				
Contractual Obligations:	**Total**	**< 1 year**	**1-3 years**	**3-5 years**	**5+ years**
Fixed rate debt (principal)	$ 42,000,000	—	—	$ 42,000,000	—
Variable rate debt (principal)	$ 27,716,000	$ 465,000	$ 976,000	$ 20,712,000	$ 5,563,000
Operating lease obligations	$ 10,176,000	$ 1,620,000	3,023,000	$ 2,192,000	$ 3,341,000
Total contractual obligations	$ 79,892,000	$ 2,085,000	$ 3,999,000	$ 64,904,000	$ 8,904,000
Interest payments on fixed and variable rate debt	$ 12,727,000	$ 2,725,000	$ 5,449,000	$ 2,165,000	$ 2,388,000

Fixed Rate and Variable Rate Debt

Details of amounts included in long-term debt can be found above and in Note 11 in the notes to the consolidated financial statements for the year ended October 31, 2009 included elsewhere in this registration statement. The above table assumes that long-term debt is held to maturity.

Subsequent to October 31, 2009, as described above in "Recent Developments - Windfall Investors, LLC," the company acquired all rights and interests in Windfall Investors and the results of operations and all of the assets and liabilities of Windfall Investors will be included in our consolidated financial statements beginning in fiscal 2010. Our total contractual obligations, including those of Windfall Investors as of October 31, 2009, would be $13.3 million for less than one year, $5.5 million for one to three years, $66.4 million for three to five years and $24.8 million for over five years. Interest payments on fixed and variable debt would be $3.5 for one year or less, $6.7 for one to three years, $3.3 for three to five year and $9.8 over five years.

Operating Lease Obligations

The company has numerous operating lease commitments with remaining terms ranging from less than one year to ten years. The company has installed a one mega-watt photovoltaic solar array on one of its agricultural properties located in Ventura County that produces the majority of the power to run its lemon packinghouse. The construction of this array was financed by Farm Credit Leasing and the company has a long term lease with Farm Credit Leasing for this array. Annual payments for this lease are $0.5 million, and at the end of ten years the company has an option to purchase the array for $1.1 million. The company entered into a similar transaction with Farm Credit Leasing for a second photovoltaic array at one of its agricultural properties located in the San Joaquin Valley to supply the majority of the power to operate four deep water well pumps located on company property. Annual lease payments for this facility range from $0.3 million to $0.8 million, and at the end of ten years the company has the option to purchase the array for $1.3 million. The company leases pollination equipment under a lease through 2013 with annual payments of $0.1 million. The company also leases machinery and equipment for its packing operations and land for its growing operations under leases with annual lease commitments that are individually immaterial.

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 remains unchanged for the remaining life of the debt from those in effect at October 31, 2009.

Other Obligations and Commitments

As described in "Recent Developments - Windfall Investors LLC" above and "Off-Balance Sheet Arrangements" below, we guaranteed, jointly and severally, with Windfall, all amounts outstanding under the Windfall revolving line of credit and the Windfall term loan.

Off-Balance Sheet Arrangements

For fiscal 2009 and each prior applicable period, the results and operations and all of the assets and liabilities of Windfall Investors has been treated as an Off-Balance Sheet Arrangement. As described in "Recent Developments - Windfall Investors, LLC" above, beginning in fiscal 2010 the results of operations and all of the assets and liabilities of Windfall Investors will be included in the consolidated financial statements of the Company. In addition, the audited financial statements of Windfall Investors for the year ended December 31, 2008 are included in this Form 10 beginning on page F-56.

Critical Accounting Policies and Estimates

The preparation of our financial statements in accordance with generally accepted accounting principles 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 - Sales of products and related costs are recognized when persuasive evidence of an arrangement exists, delivery has occurred, selling price can reasonably be determined, and collectability is reasonably assured. We accrue monthly revenue from the sales of certain of our agricultural products based on estimated proceeds provided by our sales and marketing partners. Historically, these estimates have not differed materially from actual results.

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

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

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

Capitalization of Costs - We capitalize the planning, entitlement and certain development costs associated with our various real estate development projects. Costs that are not properly capitalized are expensed as incurred. Based on potential changes in the nature of these projects, future costs incurred could not be properly capitalized and would be expensed as incurred. For fiscal 2009, we capitalized approximately $3.3 million of costs related to our real estate projects and expensed approximately $0.3 million of costs.

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

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

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

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 the economic downturn in recent years we recorded impairment charges of $6.2 million and $1.3 million in 2009 and 2008, respectively. These charges were based on independent, third-party appraisals provided to us and were developed using various facts, assumption and estimates. Future changes in these facts, assumptions and estimates could result in additional changes.

Defined Benefit Retirement Plan - As discussed in Note 15 to our consolidated financial statements, we sponsor a defined benefit retirement plan that was frozen in June, 2004, and no future benefits accrued to participants subsequent to that time. Ongoing accounting for this plan under FASB ASC 715 provides guidance as to, among other things, future estimated pension expense, minimum pension liability and future 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 rates of return, and mortality tables. Changes in any of these estimates could materially affect the amounts recorded that are related to our defined benefit retirement plan.

Qualitative and Quantitative Disclosures about Market Risk

Interest Rate Risk

Borrowings under each of our Rabobank revolving credit facility and Farm Credit term loans are 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. Under each of our Rabobank revolving credit facility and Farm Credit term loans, our borrowing interest rate is a LIBOR-based rate plus a spread. At October 31, 2009 our total debt outstanding under the Robobank revolving credit facility and the Farm Credit term loans was approximately $61.7 million, $7.1 million and $1 million, respectively.

We manage our exposure to interest rate movements by utilizing interest rate swaps (derivatives). We fixed $42 million of our outstanding borrowings with three "fixed-to-floating" interest rate swaps as described in the following table:

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

Based on our level of borrowings at October 31, 2009, after taking into consideration the effects of our interest rate swaps (derivatives), a 1% increase in interest rates would increase our interest expense annually by $0.28 million for fiscal 2010 and decrease our interest expense an average of $0.1 million for the three subsequent fiscal years and decrease our net income by $0.17 million for fiscal 2010 and increase our net income an average of $0.06 million for the three subsequent fiscal years.

Subsequent to October 31, 2009, the managing partner of Windfall Investors resigned its position and assigned all of its rights and interest in Windfall Investors to the Company. Therefore, beginning in fiscal 2010 the results of operations and all of the assets and liabilities of Windfall Investors will be included in the consolidated financial statements of the company. Consequently, with respect to fiscal 2010 and based on the level of borrowings of both the company and Windfall Investors, after taking into consideration the effects of our interest rate swaps (derivatives), a 1% increase in interest rates would increase our interest expense annually by $0.38 million for fiscal 2010 and an average of $0.001 million for the three subsequent fiscal years and decrease our net income by $0.23 million for fiscal 2010 and an average of less than $0.001 million for the three subsequent fiscal years.

Commodity Sales Price Risk

Commodity pricing exposures include the potential impacts of weather phenomena and their effect on industry volumes, prices, product quality and costs. We manage our exposure to commodity price risk primarily through our regular operating activities, however, significant commodity price fluctuations, particularly for lemons, avocados and oranges could have a material impact on our results of operations.

ITEM 3. PROPERTIES

Real Estate

We own our corporate headquarters in Santa Paula, California. We own approximately 5,867 acres of land in California with approximately 4,070 acres located in Ventura County and approximately 1797 acres located in Tulare County, which is in the San Joaquin Valley. We lease approximately 31 acres of land located in Ventura County and approximately 449 acres of land located in Santa Barbara County. We also have an interest in a partnership that owns approximately 208 acres of land in Ventura County. Our agricultural plantings consist of approximately 1839 acres of lemons, approximately 1372 acres of avocados, approximately 1062 acres of oranges and approximately 403 acres of specialty citrus and other crops.

We own our packing facility located in Santa Paula, California, where we process and pack our lemons as well as lemons for other growers. 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. In 2009 we completed the installation of a one-megawatt solar array (which we also lease 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.

Additionally, we own 193 residential units that we lease to our employees, former employees and outside tenants as well as several commercial office buildings and properties that are leased to various tenants.

Water 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. 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 unadjudicated Fillmore, Santa Barbara and Paso Robles Basins (aquifers). We also use ground water and water from local water districts the San Joaquin Valley. We believe our water resources are adequate for our current farming operations.

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 the company's 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.

ITEM 4. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the beneficial ownership of our common stock as of December 31, 2009 by (i) each person who is known to us to be the beneficial owner of more than five percent of the outstanding shares of our common stock, (ii) each director and nominee for director, (iii) our chief executive officer and our other executive officers, which we collectively refer to as the named executive officers, and (iv) all of our directors and named executive officers as a group. The applicable percentage ownership is based on 1,126,288 shares of common stock outstanding as of December 31, 2009, plus, in the case of Mr. Michaelis, the number of shares of common stock to be issued upon the conversion of Series B Convertible Preferred Stock. All holders of shares of common stock are entitled to one vote per share on all matters submitted to a vote of holders of share of common stock.

The number of shares beneficially owned by each entity or individual is determined pursuant to Rule 13d-3 of the Exchange Act, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under Rule 13d-3 of the Exchange Act, "beneficial ownership" includes any shares as to which the entity or individual has sole or shared voting power or investment power and also any shares that the entity or individual has the right to acquire within 60 days through the exercise of any stock option or other right. Unless otherwise indicated, each person has sole voting and investment power (or shares such powers with his or her spouse) with respect to the shares set forth in the following table.

	Common Stock Beneficially Owned(2)	
Name and Address of Beneficial Owner(1)	**Number**	**Percentage**
5% Beneficial Owners		
Calavo Growers, Inc.	172,857	15.3%
Directors and Officers		
John W. Blanchard(3)	13,639	1.2%
Lecil E. Cole(4)	415	*
Don P. Delmatoff(5)	4,536	*
Peter W. Dinkler	4,163	*
Harold S. Edwards(6)	11,241	1.0%
Gordon E. Kimball	1,103	*
John W.H. Merriman	111	*
Ronald L. Michaelis (7)	57,236	5.0%
Allan M. Pinkerton(8)	62,349	5.5%
Keith W. Renken(9)	200	*
Robert M. Sawyer(10)	3,588	*
Alan M. Teague(11)	17,671	1.6%
Alex M. Teague(12)	6,803	*
Limoneira Company Officers and Directors as a Group (13 persons)(13)	183,055	15.7%

* Less than 1%.

(1) Except as set forth in the footnotes to this table, the business address of each director and executive officer listed is c/o Limoneira Company, 1141 Cummings Road, Santa Paula, California 93060.

(2) The information provided in this table is based on the company's records and information supplied by officers and directors.
(3) Shares are owned beneficially by Mr. Blanchard as a beneficiary of two trusts. Mr. Blanchard shares voting and investment power over these shares.
(4) Mr. Cole disclaims beneficial ownership of any shares of our common stock that are owned by Calavo Growers, Inc.
(5) Includes 1,524 restricted shares of which 762 vest in 2010 and 762 vest in 2011. Mr. Delmatoff has voting and regular dividend rights with respect to the restricted shares, but no right to dispose of such shares.
(6) Includes 3,189 restricted shares of which 1,595 vest in 2010 and 1,594 vest in 2011. Mr. Edwards has voting and regular dividend rights with respect to the restricted shares, but no right to dispose of such shares. All shares are owned beneficially by Mr. Edwards as a beneficiary of a trust. Mr. Edwards shares voting and investment power over these shares.
(7) Number of shares includes 18,488 shares issuable upon conversion of Series B Convertible Preferred Stock. Shares are owned beneficially by Mr. Michaelis as a beneficiary of a trust. Mr. Michaelis shares voting and investment power over these shares.
(8) Shares are owned beneficially by Mr. Pinkerton as a beneficiary of a trust. Mr. Pinkerton shares voting and investment power over these shares.
(9) Shares are owned beneficially by Mr. Renken as a beneficiary of a trust. Mr. Renken shares voting and investment power over these shares.
(10) Shares are owned beneficially by Mr. Sawyer as a beneficiary of a trust. Mr. Sawyer shares voting and investment power over these shares.
(11) Shares are owned beneficially by Mr. Teague through his interest in a limited partnership.
(12) Includes 1,772 restricted shares of which 886 vest in 2010 and 886 vest in 2011. Mr. Teague has voting and regular dividend rights with respect to the restricted shares, but no right to dispose of such shares.
(13) Amount of outstanding shares used to determine the percentage ownership includes 37,500 shares issuable upon conversion of Series B Convertible Preferred Stock.

There are no arrangements currently known to the Company, the operation of which may at a subsequent date result in a change of control.

ITEM 5. DIRECTORS AND EXECUTIVE OFFICERS

Our board of directors is grouped into three classes: (1) Class I Directors, who will serve until the 2012 Annual Meeting, (2) Class II Directors, who will serve until the 2010 Annual Meeting, and (3) Class III Directors, who will serve until the 2011 Annual Meeting. Our board of directors currently consists of ten directors.

The name and age of each director and executive officer and the positions held by each of them as of October 31, 2009 are as follows:

Name	Age	Class	Position
Harold S. Edwards	44	Class I	Director, President and Chief Executive Officer
Don P. Delmatoff	61	—	Vice President of Finance & Administration, Chief Financial Officer and Secretary
Alex M. Teague	45	—	Senior Vice President
Peter Dinkler	64	—	Vice President of Lemon Packing
John W. Blanchard	66	Class I	Director
Lecil E. Cole	69	Class II	Director
Gordon E. Kimball	57	Class II	Director
John W.H. Merriman	57	Class I	Director
Ronald Michaelis	71	Class I	Director
Allan Pinkerton	66	Class III	Director
Keith W. Renken	75	Class II	Director
Robert M. Sawyer	60	Class III	Director
Alan M. Teague	71	Class III	Chairman, Director

John W. Blanchard. Mr. Blanchard has served as a director of the company since 1990. Mr. Blanchard retired in 2009 as the president and chief executive officer of Santa Paula Chamber of Commerce, which position he has held since 2007. Prior to that, he was employed as a realtor at Prudential California Realty in Camarillo, California from 2002 to 2007. Mr. Blanchard is also a director of Ventura County Fruit Exchange and is a trustee of Limoneira Foundation. He also serves on the boards of directors for several non-profit organizations. Mr. Blanchard attended Stanford University and graduated from the University of Southern California, where he earned his Bachelor of Arts degree in finance, and his Master of Business Administration degree.

Lecil E. Cole. Mr. Cole has served as a director of the company since 2006. Mr. Cole is currently chairman of the board of directors, chief executive officer and president of Calavo Growers, Inc., a NASDAQ listed company. He has held that position since February 1999. Mr. Cole has also been the president of Hawaiian Sweet Inc. since 1996. Prior to that, Mr. Cole was an executive of Safeway Stores from 1986 to 1996. Mr. Cole farms a total of 4,430 acres in California and Hawaii on which avocados, papayas and cattle are produced and raised.

Don P. Delmatoff. Mr. Delmatoff has served as vice president of finance & administration, chief financial officer and secretary of the company since 2004. Mr. Delmatoff previously served the Company as corporate controller, from 2000 to 2004. Mr. Delmatoff is a graduate of California State University at Long Beach, where he earned a Bachelor of Arts degree in Accounting.

Harold S. Edwards. Mr. Edwards has served as a director of the company since 2009. Mr. Edwards has been the president and chief executive officer of the company since November 2004. Previously, Mr. Edwards was the president of Puritan Medical Products, a division of Airgas Inc. Prior to that, Mr. Edwards held management positions with Fisher Scientific International, Inc., Cargill, Inc., Agribrands International and the Ralston Purina Company. Mr. Edwards is currently a member of the board of directors of Compass Group Diversified Holdings LLC, a NASDAQ listed company and Calavo Growers, Inc., also a NASDAQ listed company. Mr. Edwards is a graduate of Lewis and Clark College and The American Graduate School of International Management (Thunderbird) where he earned a Masters of Business Administration.

Gordon E. Kimball. Mr. Kimball has served as a director of the company since 1995. Mr. Kimball has been president of Kimball Engineering, Inc., which provides race car design and production services, since 1992. He is also managing partner of Kimball Ranches, a 110 acre avocado ranch near Santa Paula, California. Prior to that, Mr. Kimball designed Formula One race cars in England and Italy for McLaren International, Ferrari and Benetton Racing, from 1984 to 1991. Prior to that, he designed Indianapolis race cars for Parnelli Jones, Chaparral and Patrick Racing teams, from 1976 to 1983. Mr. Kimball is a director of Rincon Investment Company. Mr. Kimball graduated from Stanford University where he earned his Bachelor of Science and Master of Science degrees in mechanical engineering.

John W.H. Merriman. Mr. Merriman has served as a director of the company since 1991. Mr. Merriman currently serves as an SAS consultant at Wells Fargo Bank Risk Management, San Francisco, manager of Blanchard Equity, LLC., and president of Spyglass Ridge Association. Mr. Merriman served as a SAS consultant for Macys.com from 2006 to 2009 and Wells Fargo Bank Risk Management from 1996 to 2005. Mr. Merriman is a Vietnam War Veteran where he served in the United States Marine Corps as an IBM systems programmer. Mr. Merriman graduated from Computer Science School, Quantico, Virginia, in 1973. He majored in viticulture at Santa Rosa Junior College in 1978, and studied enology at Edmeades Vineyards in 1979.

Ronald Michaelis. Mr. Michaelis has served as a director of the company since 1997. Mr. Michaelis farmed for 40 years, and managed the last 20 years, the family citrus properties, growing from 20 to 1,500 acres. He owned and managed Michaelis Citrus Nursery, Inc., growing up to 300,000 trees annually. Mr. Michaelis' past positions included director and president of Tulare County Lemon Association and Tulare County Fruit Exchange, director of Grand View Heights Association, Tulare-Kern County Citrus Exchange, Tulare County Farm Bureau and president of Tulare County Farm Bureau, president of Ronald Michaelis Ranches, Inc., Martin Michaelis Groves, Inc. and Michaelis Citrus Nursery, Inc., director and vice president of Teapot Dome Water district, and director and president of Strathmore Packing House. Mr. Michaelis currently is a director of Ventura County Fruit Exchange, and trustee of Limoneira Foundation. He is also active on many boards at Grand Avenue United Methodist Church. Mr. Michaelis attended Porterville College and California State Polytechnic University Pomona majoring in fruit production.

Allan M. Pinkerton. Mr. Pinkerton has served as a director of the company since 1990. Mr. Pinkerton is the owner and manager of Pinkerton Ranches, which engages in citrus and avocado production. He is currently a director of Saticoy Lemon Association, Ventura County Fruit Exchange, Alta Mutual Water Company and Farmers Irrigation Company. Mr. Pinkerton was formerly a director and the vice chairman of Sunkist Growers, Inc. and Fruit Growers Supply Company. Mr. Pinkerton graduated from California State Polytechnic University at Pomona, earning a Bachelor of Science degree in agricultural business management in 1966.

Keith W. Renken. Mr. Renken has served as a director of the Company since 2009. Mr. Renken retired in 1992 as a Senior Partner and Chairman, Executive Committee of Southern California, for the public accounting firm of Deloitte & Touche. He currently is an adjunct professor in the Marshall School of Business at the University of Southern California. He serves as a director of the boards of two public companies, East West Bancorp, Inc. since 2000 and the Willdan Group Inc. since 2006. Previously, Mr. Renken served as a director of 21st Century Insurance Group. Mr. Renken is a Certified Public Accountant in the states of Arizona and California, as well as a member of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants. He received a B.S. in Business Administration in 1957 from the University of Arizona and a M.S. in Business Administration from the University of Arizona in 1959.

Robert M. Sawyer. Mr. Sawyer has served as a director of the company since 1990. Mr. Sawyer is an attorney specializing in real estate, land use, environmental and water law, and currently of counsel to the Sacramento, California office of Best Best & Krieger LLP. He is a member of Ventura County Bar Association, the Sacramento County Bar Association and the Groundwater Resources Association of California. Mr. Sawyer was previously the corporate secretary of The Samuel Edwards Associates, from 1977 to 1981 and a director of The Samuel Edwards Associates, from 1981-1985. He is also a director of Ventura County Fruit Exchange, and a trustee of Limoneira Foundation, since 1985. Mr. Sawyer graduated from the University of California at Santa Cruz where he earned a Bachelor of Arts degree in 1972, and graduated from Northwestern School of Law of Lewis & Clark College where he earned his Juris Doctor degree in 1975.

Alan M. Teague. Mr. Teague has served as a director of the company since 1990. Mr. Teague has been the chairman of the board of directors of the company since 2004, and was previously chairman of the board of directors of the Company from 1988 to 1996. He is currently president of California Orchard Co. Mr. Teague was employed by Teague-McKevett Company and the McKevett Corporation since 1961, holding various position, and president of both firms since 1984 until the merger with the Company in 1995. Mr. Teague has been active in many political and civic organizations including the Santa Paula City Council from 1966 to 1974, and Mayor of the City of Santa Paula from 1970 to 1974. He is the founding chairman of Santa Clara Valley Agriculture Development Corp., Ventura County Community Foundation and Santa Paula Community Fund. Mr. Teague was formerly the president of Rancheros Visitadores, and former chairman of Ventura County Medical Resource Foundation. He is currently a director of Ventura County Fruit Exchange and Salinas Land Company, and trustee of the Limoneira Foundation. Mr. Teague attended the University of Arizona where he studied business administration.

Alex M. Teague. Mr. Teague has served as senior vice president of the company since 2004. Mr. Teague previously served the Company as vice president of agribusiness, from 2004 to 2005. Mr. Teague is currently a member of the board of directors of Ventura County Workforce Investment Board, Ventura County Community Foundation, Farm Worker Housing, Salinas Land Company and California Orchard Company. Mr. Teague is a graduate of University of Pacific, where he earned a Bachelor of Science degree in Administration.

Pete Dinkler. Mr. Dinkler has served as vice president, lemon packing since 1983. Mr. Dinkler is a graduate of California State University, Pomona, where he earned a Bachelor of Science degree in Agriculture and the UCLA Graduate School of Management.

Alex Teague is the son of Alan Teague. Otherwise there is no lineal family relationship between any other officer or director of the company.

Compensation Committee Interlocks and Insider Participation

During Fiscal 2009, Directors Merriman, Kimball, Michealis and Sawyer comprised the compensation committee. No member of our compensation committee during fiscal 2009 served as an officer, former officer or employee of the company. During fiscal 2009, none of our executive officers served as a member of the compensation committee of any other entity, one of whose executive officers served as a member of our board of directors or compensation committee, and none of our executive officers served as a member of the board of directors of any other entity, one of whose executive officers served as a member of our compensation committee. Information with respect to the related party transactions involving the members of our compensation committee is set forth below under "Item 7. Certain Relationships and Related Transactions, and Director Independence - Contracted Arrangements with Related Parties."

ITEM 6. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The following Compensation Discussion and Analysis should be read in conjunction with the "Summary Compensation Table" and related tables that are presented elsewhere in this registration statement on Form 10.

Compensation Overview. Compensation for our executives and key employees is designed to attract and retain people who share our vision and values and who can consistently perform in such a manner that enables the company to achieve its strategic goals. The compensation committee believes that the total compensation package for each of the named executive officers is competitive with the market, thereby allowing us to retain executive talent capable of leveraging the skills of our employees and our unique assets in order to increase shareholder value.

In connection with becoming a public company, certain aspects of our compensation mix will likely change, primarily in connection with our adoption of the Limoneira Company 2010 Omnibus Incentive Plan, which we refer to as the 2010 Omnibus Incentive Plan, pursuant to which we intend to continue to award cash-based incentive bonuses and equity-based incentive bonuses but may do so in different forms, such as stock options. See "Item 9. Market Price of and Dividends on the Registrant's Common Equity and Related Stockholders matters - Securities Authorized for Issuance under Equity Compensation Plans - Limoneira Company 2010 Omnibus Incentive Plan" for more information about the 2010 Omnibus Incentive Plan.

The Compensation Committee. Our compensation committee is currently composed of Directors Merriman, Renken, Michaelis and Sawyer. Our common stock is not currently listed on any national exchange, or quoted on any inter-dealer quotation service, that imposes independence requirements on our board of directors or any committee thereof. Our board of directors has evaluated the independence of the members of our compensation committee and determined that all of the members of our compensation committee qualify as "independent directors" within the meaning of NASDAQ Stock Market Marketplace Rule 4200(a)(15).

The Company's "named executive officers" refers to those executive officers identified in the "Summary Compensation Table" below. Our named executive officers for 2009 were: Harold Edwards, President and Chief Executive Officer; Don Delmatoff, Vice President of Finance & Administration, Chief Financial Officer and Secretary; Alex Teague, Senior Vice President; and Peter Dinkler, Vice President of Lemon Packing.

General Objectives of the Compensation Plan. The compensation program for our named executive officers is designed to align management's incentives with the interests of our stockholders and to be competitive with comparable employers. Our compensation philosophy recognizes the value of rewarding our named executive officers for their past performance and motivating them to continue to excel in the future. The compensation committee has developed and maintains a compensation program that rewards superior performance and seeks to encourage actions that drive our business strategy. Our compensation strategy is to provide a competitive opportunity for senior executives taking into account their total compensation packages, which include a combination of base salary, an annual cash-based incentive bonus, an annual equity-based incentive bonus and certain perquisites. At the named executive officer level, our incentive compensation arrangements are designed to reward the achievement of year-to-year operating performance goals.

The Role of Executives in Setting Compensation. During fiscal 2009, our compensation committee had the authority to determine our compensation philosophy and our board of directors had the primary authority to determine the compensation for our executive officers. Compensation recommendations regarding our executive officers (other than our President and Chief Executive Officer) were generally provided to the board of directors by our President and Chief Executive Officer and approved by the board of directors. Our President and Chief Executive Officer's total compensation was recommended by the compensation committee and approved by our board of directors. In connection with the adoption of a compensation committee charter by our board of directors in January, 2010, the compensation committee will have the authority to determine the compensation of our executive officers in light of individual and corporate achievements.

Each named executive officer and other senior executive management team members participate in an annual performance review with our Chief Executive Officer to provide input about his contributions to our success for the period being assessed. During the first quarter of the fiscal year, the compensation committee establishes performance goals for non-equity and equity-based incentive compensation for each of the named executive officers and, at the end of that fiscal year, determines the level of attainment of those established goals.

Overall Compensation Plan Design. The compensation policies developed by the compensation committee are based on the philosophy that compensation should reflect both company performance, financially and operationally, and the individual performance of the executive. The compensation committee's objectives when setting compensation for our named executive officers include:

- Setting compensation levels that are sufficiently competitive such that they will motivate and reward the highest quality individuals to contribute to our goals, objectives and overall financial success.

- Retaining executives and encouraging their continued quality service, thereby encouraging and maintaining continuity of the management team.

- Incentivizing executives to appropriately manage risks while attempting to improve our financial results, performance and condition.

- Aligning executive and stockholder interest. The compensation committee believes that the use of equity compensation as a key component of executive compensation is a valuable tool for aligning the interest of our named executive officers with those of our stockholders.

- Obtaining tax deductibility whenever appropriate. The compensation committee believes that tax-deductibility for the Company is generally a favorable feature for an executive compensation program, from the perspectives of both the Company and the stockholders.

Benchmarking. In determining compensation levels for our executive officers and for purposes of determining any potential payments under our annual cash-based incentive bonus program, the compensation committee annually reviews available salary information of similar companies in our industry. Additionally, whenever available, the compensation committee compares other compensation and perquisites offered to our executive officers to those offered to equivalent officers with similar companies in our industry.

Elements of Compensation. The material elements of the compensation program for our named executive officers include: (i) base salary; (ii) annual cash-based incentive bonuses; (iii) annual equity-based incentive bonuses; and (iv) other compensation consisting of retirement and other benefits.

Base Salaries. We provide our named executive officers with a base salary to compensate them for services rendered during the fiscal year. The purpose of the base salary is to reflect job responsibilities, value to us and competitiveness of the market. Salaries for our named executive officers are determined by the compensation committee based on the following factors: nature and responsibility of the position and, to the extent available, salary norms for comparable positions; the expertise of the individual executive; the competitiveness of the market for the executive's services; and the recommendations of our President and Chief Executive Officer.

Consistent with these objectives and this strategy, but recognizing that the company would, in each of its agribusiness, rental operations and real estate development business segments, be operating in a very challenging economic environment during fiscal 2009, no increases were awarded to the named executive officers other than the President and Chief Executive officer who was given a 7% salary increase. For fiscal 2010, the compensation committee will be reviewing the base salary of each of our named executive officers. The compensation committee believes that the base salary of each of the named executive officers is, particularly in light of each of their total compensation packages, competitive with the market.

Annual Performance Cash-Based Incentive Bonuses. Our practice is to award annual cash-based incentive bonuses based upon the achievement of performance objectives established at the beginning of each year. The President and Chief Executive Officer and the other named executive officers recommend to the compensation committee performance objectives that will best move the Company forward to achieve our short-term and long-term strategic goals and maximize stockholder value.

Per the terms of the Management Incentive Plan, cash bonuses are awarded to participants based on the achievement of both pre-determined operating results and individual participant goals. Payments that may be made under the program are based on a graduated scale beginning at 5% of a participant's annual salary. Any bonuses earned under the program in respect of a fiscal year are paid in the following fiscal year. Incentive bonuses paid in 2009 for 2008 were based on achieving pre-tax earnings and cash provided from operations greater than 110% of the average for the preceding four years, which accounted for 60% of the bonus earned, and achievement of individual goals, which accounted for 40% of the bonus earned. Bonuses paid in 2009 to members of management, including our named executive officers ranged from 42% to 45% of their respective salaries.

Annual Performance Equity-Based Incentive Bonuses. It is our objective to have a substantial portion of each named executive officer's compensation contingent upon overall corporate and segment performance as well as upon his own level of performance and contribution towards such corporate performance. Our compensation committee believes that stock-based annual incentives for the achievement of defined objectives create value for the company and aligns the executive's compensation with the interests of our shareholders. Per the terms of the Limoneira Company Stock Grant Performance Bonus Plan, which we refer to as the Stock Grant Performance Bonus Plan, the compensation committee establishes the overall corporate and segment performance goals with a view towards establishing such goals that are challenging to achieve, and, at the end of that year, determines the level of attainment of those established goals and the contribution of each executive towards achieving them, with each executive's contribution to the segment performance goals for the segment for which he has primary responsibility being of particular relevance. Based on such level of attainment and contribution, each of Messrs. Edwards, Teague and Delmatoff are eligible to receive a number of shares of our common stock not to exceed an aggregate fair market value of 133% of their then current base salary and Mr. Dinkler is eligible to receive a number of shares of our common stock not to exceed an aggregate fair market value of 25% of his then current base salary. In the event that such overall corporate and/or segment performance goals are not attained, the compensation committee, in its sole discretion, may nevertheless grant such shares for special achievements that fall outside of the established performance goals. See "Item 9. Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters - Securities Authorized for Issuance Under Equity Compensation Plans - Limoneira Company Stock Grant Performance Bonus Plan" for more information about the Stock Grant Performance Bonus Plan.

Pursuant to a recommendation by the compensation committee and approval of the board of directors in fiscal 2008 and 2009, the company made loans to each of Mr. Edwards, Mr. Teague and Mr. Delmatoff in amounts sufficient to enable them to pay their income tax liabilities associated with grants of stock pursuant to our equity-based incentive bonus program. The company made three loans to each of Mr. Edwards, Mr. Teague and Mr. Delmatoff, each in connection with grants of stock for fiscal 2007 and 2008, in an aggregate principal amount of approximately $796,070 to Mr. Edwards, approximately $446,873 to Mr. Teague, and approximately $341,495 to Mr. Delmatoff. Each loan was evidenced by a promissory note that bore interest at the mid-term Applicable Federal Rate then in effect and all principal and interest was due and payable 24 months from the date of the applicable promissory note. Each promissory note was secured by a number of shares of our common stock having a value equal to 120% of the amount of the applicable loan on the day it was made. Based on the recommendation of our compensation committee, on December 15, 2009 the board of directors approved the forgiveness of approximately $341,174 of principal and accrued interest on the loans made to Mr. Edwards, approximately $199,823 of principal and accrued interest on the loans made to Mr. Teague, and approximately $145,745 of principal and accrued interest on the loans made to Mr. Delmatoff. Additionally, each of Mr. Edwards, Mr. Teague and Mr. Delmatoff received a payment of approximately $299,528, $175,431, and $127,955, respectively, relating to their federal, state and payroll taxes attributable to such loan forgiveness.. The unpaid principal and accrued balance of each loan made to Messrs. Edwards, Teague and Delmatoff that was not forgiven was satisfied by the delivery of a number of shares of our common stock with a value equal to each applicable unpaid balance, based upon a fair market value of $150.98 per share.

Retirement Plans. The compensation committee believes that retirement programs are important to the company as they contribute to the company's ability to be competitive with its peers and reward our executive officers based on long-term performance of the company and, therefore, are an important piece of the overall compensation package for the named executive officers. For most of our employees, including our named executive officers, we provide a 401(k) plan; others are participants in our defined benefit pension plan.

Until April 28, 2004, our employees and executive officers were eligible to participate in a traditional defined benefit pension plan that was maintained by the company. At that time, plan participation and benefits payable under that plan were frozen and, since that time, no new participants have been added to that plan. The only named executive officers who are participants in our defined benefit pension plan are Harold Edwards, Don Delmatoff and Peter Dinkler. At normal retirement age, Harold Edwards's anticipated monthly payment under this plan would be $81, Don Delmatoff's anticipated monthly payment under this plan would be $450 and Peter Dinkler's anticipated monthly payments would be $4,450.

The company sponsors a defined contribution retirement plan maintained under section 401(k) of the Internal Revenue Code. Under the terms of such plan, eligible employees may elect to defer, beginning after one month of employment, up to that amount of their annual earnings permitted to be deferred under the applicable provisions of the Internal Revenue Code. In addition to any deferral contributions made by our employees, the company contributes to the account of each eligible employee with at least one year of qualifying service a matching contribution of up to 4% such employee's annual compensation plus such employee's allocable share of any discretionary employer profit-sharing contribution. Participant deferral contributions and employer matching contributions are 100% vested at the time of contribution, and employer discretionary profit-sharing contributions vest at a rate of 20% per year of service beginning after two years of service, becoming 100% vested upon completion of six years of service. During 2009, there were no changes made to our defined contribution plan related to company contributions, contribution limitations, vesting schedules or eligibility requirements.

Nonqualified Deferred Compensation. None of our named executive officers participate in or have account balances in nonqualified defined contribution or other deferred compensation plans maintained by the company.

Change in Control Benefits. None of our named executive officers are covered by any plan or arrangement or have any agreement with us pursuant to which they would receive payments upon a change in control.

Separation or Severance Benefits. None of our named executive officers are covered by any plan or arrangement or have any agreement with us pursuant to which they would receive payments upon their separation of service or termination from employment with the company.

Perquisites and Other Personal Benefits. The compensation committee reviews annually the perquisites that named executive officers receive. The primary personal benefits for our named executive officers are health and welfare benefits, including, medical, dental, vision and life insurance, in which the named executive officers participate on the same terms as other company employees. In addition, company vehicles are provided to the named executive officers, as well as to other members of management.

Employment Agreements. As of the end of our 2009 fiscal year, the company was not party to any employment agreements with any of our named executive officers.

Summary Compensation Table

The following table sets forth information regarding the total compensation received or earned by our named executive officers during fiscal 2009. This table should be read in conjunction with the Compensation Discussion and Analysis, which sets forth the objectives and other information regarding our executive compensation program.

Name and Principal Position	Year	Salary ($)	Stock Awards ($)(1)	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(2)	All Other Compensation ($)(3)	Total ($)
Harold Edwards, President and Chief Executive Officer(4)	2009	$ 449,423	$ 199,535	$ 150,159	$ 1,771	$ 19,928	$ 819,045
Don Delmatoff, Vice President of Finance & Administration, Chief Financial Officer and Secretary	2009	$ 215,000	$ 95,327	$ 95,976	$ 15,756	$ 20,137	$ 442,196
Alex Teague, Senior Vice President	2009	$ 258,654	$ 110,839	$ 112,500	—	$ 20,099	$ 502,092
Peter Dinkler, Vice President of Lemon Packing	2009	$ 110,742	$ 9,257	$ 47,841	$ 161,778	$ 9,607	$ 339,225

(1) The value of stock awards is the compensation expense recognized in our financial statements attributable to performance stock grants under our equity-based performance bonus program, calculated in accordance with SFAS 123(R). Shares granted during 2009 vested, in part, in 2009, with the remainder to vest, in part, in each of 2010 and 2011.

(2) The change in pension value is based upon the change in the present value of the accrued benefit from 2008 to 2009. This change can be impacted by, among other things, changes in the assumptions used for the discount rate, long-term rate of return and mortality tables used.

(3) All Other Compensation consists of, for each of our named executive officers, profit sharing and matching contributions under our 401(k) plan and personal usage of company vehicles.

(4) Mr. Edwards does not receive any additional compensation for being a director of the Company.

Grants of Plan-Based Awards in Fiscal Year 2009

The following table provides information about grants of equity and non-equity plan-based awards to the named executive officers in the fiscal year ended October 31, 2009:

Name	Year	Grant Date	All Other Stock Awards: Number of Shares of Stock (#) (1) (2)	Grant Date Fair Value of Stock and Option Awards ($)
Harold Edwards	2009	12/24/08	4,784	$ 598,478
Don Delmatoff	2009	12/24/08	2,286	$ 285,979
Alex Teague	2009	12/24/08	2,658	$ 332,516
Peter Dinkler	2009	12/24/08	221	$ 27,647

(1) On December 24, 2008, we granted our named executive officers, 4,784, 2,286, 2,658 and 221 shares, respectively, of restricted shares of our Common Stock at a grant date fair value per share of $125.10. The restricted stock vests, ratably, one-third on the date of grant, one-third on the first anniversary of the date of grant and one-third on the second anniversary of the date of grant. Upon termination of employment of any named executive officer, any unvested shares of such terminated officer on the date of his termination revert to the company.

(2) All such shares, whether vested or unvested, are considered issued and outstanding on the date of grant, and our named executive officers have voting right with respect to, and receive any dividends on, such shares granted to them. Upon termination of employment, any dividends received by the terminated named executive officer on unvested shares are for the benefit of, and are to be repaid by such named executive officer, to the company.

Outstanding Equity Awards at 2009 Fiscal Year End

The following table summarizes the total outstanding equity awards as of October 31, 2009 for each named executive officer.

Name	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)(1)
Harold Edwards(2)	3,189	$ 446,460
Don Delmatoff(3)	1,524	$ 213,360
Alex Teague(4)	1,772	$ 248,080
Peter Dinkler(5)	147	$ 20,580

(1) Based on a fair market value of our Common Stock on October 31, 2009, the last day of our fiscal 2009 year, of $140.00 per share.

(2) On 12/24/08, we granted to Mr. Edwards 4,784 shares of restricted stock, 1/3 of which shares vested on the date of grant and 1/3 or which vest on each of 2/1/10 and 2/1/11.

(3) On 12/24/08, we granted to Mr. Delmatoff 2,286 shares of restricted stock, 1/3 of which shares vested on the date of grant and 1/3 or which vest on each of 2/1/10 and 2/1/11.

(4) On 12/24/08, we granted to Mr. Teague 2,658 shares of restricted stock, 1/3 of which shares vested on the date of grant and 1/3 or which vest on each of 2/1/10 and 2/1/11.

(5) On 12/24/08, we granted to Mr. Dinkler 221 shares of restricted stock, 1/3 of which shares vested on the date of grant and 1/3 or which vest on each of 2/1/10 and 2/1/11.

Option Exercises and Stock Vested in 2009

The following table sets forth information about the exercise of stock options and vesting of restricted stock held by our named executive officers during 2009.

Name	Stock Awards	
	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)(1)
Harold Edwards	1,595	$ 199,534
Don Delmatoff	762	$ 95,326
Alex Teague	886	$ 110,839
Peter Dinkler	74	$ 9,257

(1) Based on a fair market value of our Common Stock on December 24, 2008, the date of vesting, of $125.10 per share.

Pension Benefits in Fiscal Year 2009

The company's defined benefit pension plan is a tax-qualified retirement plan that covers eligible employees of the company. Effective April 28, 2004, participation in such plan was frozen so that anyone who was hired by the company on or after April 29, 2004 is ineligible to participate in such plan. Under the plan, age 65 is considered normal retirement age. Participating employees may retire with benefits as early as age 55 provided they then have at least five years of qualifying service. Normal retirement benefits for a participant are calculated based on such participant's highest average pay over any five consecutive calendar years of employment. The maximum benefit is payable to employees who retire at age 65 with 30 or more years of service and is equal to 65% of such highest average pay less 60% of the applicable participant's estimated annual Social Security benefit. For participating employees who retire at age 65 with less than 30 years of service, their retirement benefit is equal to such maximum benefit amount multiplied by a fraction the numerator of which is total years of qualifying service and the denominator of which is 30. For participating employees who elect to retire prior to age 65, the benefits under the company's defined benefit pension plan that would otherwise be payable to them at age 65 are actuarially reduced to account for the longer period they are expected to be receiving payments.

Benefits are paid in the form of a life annuity, with married employees having the option to elect to receive benefit payments in the form of a 50% joint and survivor annuity. Additionally, participating retiring employees may elect a 10-year certain and life optional form of payment, a contingent annuity with a 10-year certain and life optional form of payment or a 100%, 75% or 50% joint and survivor optional form of payment naming someone other than his or her spouse as joint annuitant.

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit ($)(1)	Payments During Last Fiscal Year ($)
Harold Edwards	Limoneira Company Retirement Plan (2)	0.5	$ 3,295	—
Don Delmatoff	Limoneira Company Retirement Plan (2)	4.33	$ 49,898	—
Peter Dinkler	Limoneira Company Retirement Plan (2)	35.24	$ 640,960	—

(1) Liabilities shown in this column are computed using the projected unit credit method reflecting average salary and service as of the fiscal year end. The material assumptions used to determine these liabilities can be found in the fiscal year end FAS Disclosures Actuarial Valuation Report, except we assumed no pre-retirement decrements and that retirement occurs at the plan's earliest unreduced retirement age.

(2) The plan's benefit formula is integrated with Social Security and is based on the participant's years of service for the Company and "Final Average Compensation." Compensation is limited to the applicable Internal Revenue Code section 401(a)(17) limit. The plan benefit is limited to the applicable Internal Revenue Code section 415(b) limit. Only employees hired before June 30, 2004 are eligible to participate in the plan. In addition, eligibility for the plan occurs no later than the completion of 500 Hours of Service in the first 12 months of employment. Effective June 30, 2004, the plan was frozen. Additional Benefit Service cannot be earned after June 30, 2004. Early retirement age is the first day of any month after age 55, provided the participant ha earned five years of vesting service at the time of retirement.

Director Compensation Table

The following table summarizes the compensation paid by us to directors who are not named executive officers for the fiscal year ended October 31, 2009:

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Total ($)
John W. Blanchard	$ 23,000	$ 20,000	$ 43,000
Lecil E. Cole	$ 26,000	$ 20,000	$ 46,000
Gordon E. Kimball	$ 22,400	$ 20,000	$ 42,400
John W.H. Merriman	$ 24,800	$ 20,000	$ 44,800
Ronald Michaelis	$ 22,400	$ 20,000	$ 42,400
Allan M. Pinkerton	$ 21,800	$ 20,000	$ 41,800
Robert M. Sawyer	$ 21,800	$ 20,000	$ 41,800
Alan M. Teague	$ 50,000	$ 20,000	$ 70,000

All of the members of the compensation committee are independent directors under the listing standards of the NASDAQ Stock Market and under the company's corporate governance requirements. Other than our investment in Charlie Kimball Racing as described below and in "Item 7. Certain Relationships and Related Transactions, and Director Independence - Contractual Arrangements with Related Parties," no member of the compensation committee has had any relationship with the company requiring the disclosure under Item 404 of Regulation S-K under the Exchange Act.

ITEM 7. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Policy for Approval of Related Person Transactions

Any transaction required to be disclosed pursuant to Item 404 of Regulation S-K, which we refer to as related party transactions, must be reviewed and approved for potential conflict of interest by our audit and finance committee, which is comprised entirely of independent directors. The company may not enter into or engage in any related party transaction with a related party without such approval. Details of related party transactions will be publicly disclosed as required by applicable law.

Contractual Arrangements with Related Parties

Calavo Growers, Inc. Office Lease

Since 2007, we have leased office space to Calavo and have received annual rental income from Calavo in the amount of $0.22 million for each of 2009, 2008 and 2007. Calavo is the beneficial owner of approximately 15.1% of our issued and outstanding common stock.

Calavo Growers, Inc. Marketing Agreement

We market our avocados through Calavo, which owns approximately 15.3% of our outstanding common stock and is an affiliate of our director Lecil E. Cole, pursuant to a marketing agreement. During the fiscal year ended October 31, 2009, Calavo paid us approximately $2.7 million with respect to avocados we marketed through Calavo.

Investment in Charlie Kimball Racing

Since 2007, we have made three investments of $100,000, for a total of $300,000, in Charlie Kimball Racing. Charlie Kimball is a formula car driver and the son of Gordon Kimball, one of our directors. Pursuant to the terms of the investments, each investment is to be used by Charlie Kimball to further his career goal of becoming a Formula One driver and winning the Formula One World Championship. The terms of the investments provide that each $100,000 investment will be repaid upon the first to occur of any of the following: (a) Charlie Kimball enters university as a full time student, which we refer to as the student trigger; (b) Charlie Kimball reaches the position of a full time salaried driver in the Formula One World Championship, which we refer to as the F1 trigger; and (c) we exercise the option to have our investment repaid, which may not occur prior to January 23, 2010, which we refer to as the investor trigger. For each $100,000 investment, we will be repaid the following amounts: (x) in the event of the student trigger, we will be repaid the amount of our investment; (y) in the event of the F1 trigger, we will be repaid twice our investment in three equal annual installments beginning 120 days following the day the F1 trigger occurs; and (z) in the event of the investor trigger, we will be repaid the amount of our investment within one year after the investor trigger is exercised with an additional $25,000 payment if Charlie Kimball is a professional (salaried) racing driver on the day the investor trigger is exercised.

Director Independence

Our common stock is not currently listed on any national exchange, or quoted on any inter-dealer quotation service, that imposes independence requirements on our board of directors or any committee thereof. Following the effectiveness of this registration statement and after addressing any comments from the Division of Corporation Finance of the SEC, we expect that our common stock will be accepted for listing on the NASDAQ Stock Market under the ticker symbol "LMNR." The Rules of the NASDAQ Stock Market require that a majority of our board of directors be independent. Our board of directors has reviewed the materiality of any relationship that each of our directors has with the company, either directly or indirectly. Based on this review, our board of directors has determined that the following directors are "independent directors" within the meaning of NASDAQ Stock Market Marketplace Rule 4200(a)(15): John W. Blanchard, Gordon E. Kimball, John W. H. Merriman, Ronald L. Michaelis, Allan M. Pinkerton, Keith W. Renken and Robert M. Sawyer.

ITEM 8. 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, threatened against us.

ITEM 9. MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

Our common stock is currently quoted under the symbol "LMNR.PK" on the PinkSheets, a centralized quotation service that collects and publishes market maker quotes for over-the-counter securities. There is no assurance that our common stock will continue to be traded on the PinkSheets or that any liquidity exists for our stockholders.

Market Price

The following table shows the high and low per share price quotations of our common stock as reported by the PinkSheets for the periods presented. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commissions. The PinkSheets market is extremely limited and the prices quoted by brokers are not a reliable indication of the value of our common stock. Furthermore, since limited or no public information was available about our business, operating results or financial condition during the time the trades occurred, the trading prices set forth below might not reflect the historical value of our company on a per share basis, nor be an accurate indication of the prices at which shares may be traded in the future. On December 31, 2009, the last sale price of our common stock as reported by the Pink Sheets was $145.00 per share.

	High	Low
2010		
First quarter ended January 31, 2010	$ 154.95	$ 135.00
2009		
Fourth quarter ended October 31, 2009	$ 160.00	$ 127.00
Third quarter ended July 31, 2009	$ 155.00	$ 125.00
Second quarter ended April 30, 2009	$ 150.00	$ 102.00
First quarter ended January 31, 2009	$ 175.00	$ 115.00
2008		
Fourth quarter ended October 31, 2008	$ 280.00	$ 144.00
Third quarter ended July 31, 2008	$ 290.00	$ 237.00
Second quarter ended April 30, 2008	$ 259.00	$ 205.00
First quarter ended January 31, 2008	$ 300.00	$ 200.00

Outstanding Options and Convertible Securities

As of December 31, 2009, there were no shares of our common stock subject to outstanding common stock options and 37,500 shares of our common stock issuable upon conversion of our outstanding preferred stock. Please see "Description of Securities" above for a more fulsome description of our options and convertible securities.

Holders

On December 31, 2009, there were approximately 384 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 shareholder.

Dividends

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

	Dividend
2010	
First Quarter Ended January 31, 2010	$ 0.3125
2009	
Fourth Quarter Ended October 31, 2009	$ 0.3125
Third Quarter Ended April 30, 2009	-
Second Quarter Ended July 31, 2009	-
First Quarter Ended January 31, 2009	$ 0.3125
2008	
Fourth Quarter Ended October 31, 2008	$ 2.3125
Third Quarter Ended April 30, 2008	$ 0.3125
Second Quarter Ended July 31, 2008	$ 0.3125
First Quarter Ended January 31, 2008	$ 0.3125

We expect to continue to pay quarterly dividends at a rate similar to the fourth quarter of 2009, to the extent permitted by our business and other factors beyond management's control.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information as of October 31, 2009 about our common stock that may be issued to employees and directors under our equity compensation plans.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by security holders(1)	—	—	100,000
Equity compensation plans not approved by security holders(2)	—	—	—

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(1) The plan in this category includes the Limoneira Company 2010 Omnibus Incentive Plan which was approved by the company's board of directors on January 26, 2010 and will be submitted to the company's stockholders for approval at the annual meeting in March of 2010.

(2) The plan in this category includes the Limoneira Company Stock Grant Performance Bonus plan. Subject to the approval by our stockholders of the Limoneira Company 2010 Omnibus Incentive Plan, no further grants will be made under the Limoneira Company Stock Grant Performance Bonus plan and all outstanding awards granted under such plan will continue unaffected.

Summary of Equity-Based Incentive Plans

The following is a summary of the material terms of the 2010 Omnibus Incentive Plan and the Stock Grant Performance Bonus Plan. The 2010 Omnibus Incentive Plan was approved by our board of directors on January 26, 2010 and will be submitted to the company's stockholders for approval at our annual meeting in March of 2010. Subject to the approval by our stockholders of the 2010 Omnibus Incentive Plan, no further grants will be made under the Stock Grant Performance Bonus Plan and all outstanding awards granted under such plan will continue unaffected. For more information we refer you to the full text of the Stock Grant Performance Bonus Plan and the 2010 Omnibus Incentive Plan, each of which is filed as an exhibit to this registration statement.

Limoneira Company Stock Grant Performance Bonus Plan

The purpose of the Stock Grant Performance Bonus Plan is to recognize outstanding performance by the chief executive officer, senior vice president, chief financial officer and certain other persons holding managerial positions with the company. The compensation committee establishes the overall corporate and segment performance goals with a view towards establishing such goals that are challenging to achieve, and, at the end of the year, determines the level of attainment of those established goals and the contribution of each participant towards achieving them. Based on such level of attainment and contribution, the Stock Grant Performance Bonus Plan authorizes (i) the issuance to our chief executive officer, senior vice president and chief financial officer of a number of our shares of common stock not to exceed an aggregate fair market value of 133% of their then current base salary, and (ii) the issuance to certain other persons holding managerial positions with the company of a number of our shares of common stock not to exceed an aggregate fair market value of 25% of their then current base salary. The fair market value of shares of common stock issued under the Stock Grant Performance Bonus Plan is established by using the most recent trading price of our common stock on the PinkSheets.

All awards granted pursuant to the Stock Grant Performance Bonus Plan vest in the grantee one-third as of the date of the issuance, one-third on the first anniversary of the grant date and one-third on the second anniversary of the date of the grant. If a grantee's employment is terminated by the company, other than for cause, any unvested shares granted to the grantee shall immediately become fully vested. If a grantee's employment with the company is terminated for cause or a grantee terminates his employment with the company, any shares granted to such employee that have not vested shall immediately be canceled.

All shares of common stock issued pursuant to the Stock Grant Performance Bonus Plan are subject to a right of first refusal by the company during the first two years following the issuance of such shares.

Limoneira Company 2010 Omnibus Incentive Plan

Overview. The purposes of the 2010 Omnibus Incentive Plan are to promote the interests of the company and its stockholders by (i) attracting and retaining employees and directors of, and consultants to, the company and its affiliates, as defined below; (ii) motivating such individuals by means of performance-related incentives to achieve longer-range performance goals; and (iii) enabling such individuals to participate in the long-term growth and financial success of the company.

The 2010 Omnibus Incentive Plan authorizes the grant of nonqualified stock options, incentive stock options, stock appreciation rights, or SARs, restricted stock, restricted stock units, or RSUs, performance awards, other stock-based awards and performance compensation awards to any employee of, or consultant to, the company or any of its affiliates (including any prospective employee), or nonemployee director who is a member of the company's board of directors or the board of directors of an affiliate of the company. The number of shares of common stock issuable pursuant to all awards granted under the 2010 Omnibus Incentive Plan shall not exceed 100,000. The number of shares issued or reserved pursuant to the 2010 Omnibus Incentive Plan (or pursuant to outstanding awards) is subject to adjustment as a result of mergers, consolidations, reorganizations, stock splits, stock dividends and other changes in our common stock. Shares subject to awards that have been expired or have been forfeited or cancelled, or settled in cash do not count as shares issued under the 2010 Omnibus Incentive Plan. However, (i) if shares are tendered or otherwise used in payment of the exercise price of any option, the total number of shares covered by the option being exercised shall count as shares issued under the 2010 Omnibus Incentive Plan; (ii) shares withheld by the company to satisfy a tax withholding obligation shall count as shares issued under the 2010 Omnibus Incentive Plan; and (iii) the number of shares covered by a SAR, to the extent it is exercised and settled in shares, and whether or not shares are actually issued to the participant upon exercise of the SAR, shall be considered issued or transferred pursuant to the 2010 Omnibus Incentive Plan. If, under the 2010 Omnibus Incentive Plan a participant has elected to give up the right to receive compensation in exchange for shares based on fair market value, shares will not count as shares issued under the 2010 Omnibus Incentive Plan.

Administration. The 2010 Omnibus Incentive Plan is administered by the company's compensation committee. The compensation committee has the full power and authority to determine the individuals to whom awards may be granted under the 2010 Omnibus Incentive Plan, the type or types of awards to be granted to a participant, and the other terms and conditions applicable to awards. The compensation committee is also authorized to interpret the 2010 Omnibus Incentive Plan, to establish, amend and rescind any rules and regulations relating to the 2010 Omnibus Incentive Plan and to make any other determinations that it deems necessary or desirable for the administration of the 2010 Omnibus Incentive Plan. All designations, determinations, interpretations, and other decisions under or with respect to the 2010 Omnibus Incentive Plan or any award are within the sold discretion of the compensation committee, may be made at any time and are final, conclusive and binding upon all persons, including the company, any affiliate any participant, any holder or beneficiary of any award, and any stockholder.

Options. The compensation committee will determine the participants to whom options will be granted, the number of shares to be covered by each option, the exercise price thereof and the conditions and limitations applicable to the exercise of the option. Incentive stock options may be granted only to employees and are subject to certain other restrictions. To the extent an option intended to be an incentive stock option does not so qualify, it will be treated as a nonqualified option. Each option is exercisable at such times and subject to such terms and conditions as the compensation committee determines and payment of the exercise price may be in cash, shares or a combination thereof, as determined by the compensation committee, including an irrevocable commitment by a broker to pay over such amount from a sale of the shares issuable under an option.

Stock Appreciation Rights. The compensation committee will determine the participants to whom SARS will be granted, the number of shares to be covered by each SAR, the grant price and the conditions and limitations applicable to the exercise thereof. Generally, each SAR will entitle a participant upon exercise to an amount equal to the excess of the fair market value of a share on the date of exercise of the SAR over the grant price. The compensation committee will determine whether an SAR will be settled in cash, shares or a combination of cash and shares.

Restricted Stock and Restricted Stock Units. The compensation committee may award shares of restricted stock and RSUs. Restricted stock awards consist of shares of stock that are transferred to the participant subject to restrictions that may result in forfeiture if specified conditions are not satisfied. RSUs result in the transfer of shares of cash or stock to the participant only after specified conditions are satisfied. The compensation committee will determine the participants to whom shares of restricted stock and/or the number of restricted stock units to be granted to each participant, the duration of the period during which, and the conditions, if any, under which, the restricted stock and restricted stock units may be forfeited to the company.

Performance Awards. The compensation committee may award performance awards that consist of a right which is (i) denominated in cash or shares, (ii) valued, as determined by the compensation committee, in accordance with the achievement of such performance goals during performance periods established by the compensation committee, and (iii) payable at such time and in such form as determined by the compensation committee. Performance awards may be paid in a lump sum or in installments following the close of the applicable performance periods.

Other Stock-Based Awards. The compensation committee may grant participants other stock-based awards which will consist of any right which is (i) not an award described above and (ii) an award of shares or an award denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, shares. The compensation committee will determine the terms and conditions of any such other stock-based award, including the price, if any, at which securities may be purchased pursuant to any other stock-based award granted under the 2010 Omnibus Incentive Plan.

Performance Criteria. The compensation committee has the authority to determine the performance criteria used to establish performance goals. The performance goals may vary from participant to participant, group to group, and period to period.

Transferability. Awards granted under the 2010 Omnibus Incentive Compensation Plan are not transferable other than by will or by the laws of descent and distribution.

Effectiveness of the 2010 Omnibus Incentive Plan; *Amendment and Termination*. The 2010 Omnibus Incentive Plan will become effective when it is approved by the company's stockholders. The 2010 Omnibus Incentive Plan will remain available for the grant of awards until the tenth anniversary of the effective date. The board of directors may amend, alter or discontinue the 2010 Omnibus Incentive Plan in any respect at any time, but no amendment may diminish any of the rights of a participant under any awards previously granted, without his or her consent. In addition, stockholder approval is required for any amendment that (i) would materially increase the benefits accruing the participants under the plan, (ii) would materially increase the number of securities which may be issued under the plan, (iii) would materially modify the requirements for participation in the plan, or (iv) must otherwise be approved by the company's stockholders in order to comply with applicable law or the rules of a national securities exchange upon which the shares are traded.

ITEM 10. RECENT SALES OF UNREGISTERED SECURITIES

None.

ITEM 11. DESCRIPTION OF REGISTRANT'S SECURITIES TO BE REGISTERED

General

Our certificate of incorporation authorizes us to issue 3,000,000 shares of common stock, par value $0.01 per share, 100,000 shares of Series B Convertible Preferred Stock, par value $100 per share and 20,000 shares of Series A Junior Participating Preferred Stock, par value $0.01 per share. The following description of our capital stock is a summary and is qualified by the provisions of our certificate of incorporation and bylaws, a copy of which are exhibits to this registration statement. This registration statement is registering only common stock, and the following is a summary of the material terms of all our capital stock.

Common Stock

We have 3,000,000 authorized shares of common stock, par value $0.01 per share. Holders of our common stock are entitled to one vote for each share held of record on each matter submitted to a vote of stockholders. Holders of our common stock do not have cumulative voting rights, which means that the holders of more than on-half of our outstanding shares of common stock can elect all of our directors, if they choose to do so. In this event, the holders of the remaining shares of common stock would not be able to elect any directors. Subject to the prior rights of any class or series of preferred stock which may from time to time be outstanding, if any, holders of our common stock are entitled to receive ratably, dividends when, as, and if declared by our board of directors out of funds legally available for that purpose and, upon our liquidation, dissolution or winding up, are entitled to share ratably in all assets remaining after payment of liabilities and payment of accrued dividends and liquidation preferences on any preferred stock. Holders of our common stock have no preemptive rights and have no rights to convert their common stock into any other securities. Our outstanding common stock is duly authorized and validly issued, fully paid and nonassessable. In the event we were to elect to sell additional shares of common stock, holders of our common stock would have no right to purchase additional shares. As a result, the common stockholders' percentage equity interest would be diluted.

Preferred Stock

We have 100,000 authorized shares of preferred stock, par value $0.01 per share, of which 30,000 shares have been designated Series B Convertible Preferred Stock, par value $100 per share and 20,000 shares have been designated Series A Junior Participating Preferred Stock, par value $0.01 per share. We may issue preferred stock in one or more series and having the rights, privileges, and limitations, including voting rights, conversion rights, liquidation preferences, dividend rights and preferences and redemption rights, as may, from time to time, be determined by our board of directors. Preferred stock may be issued in the future in connection with acquisitions, financing, or other matters, as our board of directors deems appropriate. In the event that we determine to issue any shares of preferred stock, a certificate of designation containing the rights, privileges, and limitations of the series of preferred stock will be filed with the Delaware Secretary of State. The effect of this preferred stock designation power is that our board of directors alone, subject to federal securities laws, applicable blue sky laws, and Delaware law, may be able to authorize the issuance of preferred stock which could have the effect of delaying, deferring, or preventing a change in control without further action by our stockholders, and may adversely affect the voting and other rights of the holders of our common stock. The issuance of preferred stock with voting and conversion rights may also adversely affect the voting power of the holders of our common stock, including the loss of voting controls to others. Below is a description of each class of preferred stock outstanding as of December 31, 2009.

Series B Convertible Preferred Stock

On May 21, 1997, our board of directors authorized 30,000 shares of Series B Convertible Preferred Stock, par value $100.00 per share. As of December 31, 2009, there were 30,000 shares of our Series B Convertible Preferred Stock, par value $100 per share, issued and outstanding. Our Series B Convertible Preferred Stock has the following rights, preferences, privileges, and restrictions:

Conversion. Each share of our Series B Convertible Preferred Stock is convertible into common stock at a price of $80.00 per share of common stock. Shares of our Series B Convertible Preferred Stock may be converted into common stock at the option of the holder at any time.

Dividends. Holders of our Series B Convertible Preferred 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 commencing July 1, 1997.

Liquidation Rights. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the company, the holders of shares of our Series B Convertible Preferred Stock are entitled to be paid out of the assets available for distribution, before any payment is made to the holders of our common stock or any other series or class of our shares ranking junior to the Series B Convertible Preferred Stock, an amount equal to $100.00 per share, plus an amount equal to all accrued and unpaid dividends.

Voting Rights. Each share of Series B Convertible Preferred Stock is entitled to one vote on all matters submitted to a vote of our stockholders.

Redemption. We may, at the option of our board of directors, redeem the Series B Convertible Preferred 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 $100.00 per share plus accrued and unpaid dividends.

Series A Junior Participating Preferred Stock

On October 31, 2006, our board of directors authorized 20,000 shares of Series A Junior Participating Preferred Stock, par value $0.01 per share. As of December 31, 2009, there were no shares of our Series A Participating Preferred Stock issued and outstanding. Our Series A Junior Preferred Stock has the following rights, preferences, privileges, and restrictions:

Conversion. Shares of Series A Junior Participating Preferred Stock are not convertible.

Dividends. Holders of our Series A Junior Participating Preferred Stock are entitled to receive cash dividends equal to the greater of (a) $1.00 or (b) 100 times the aggregate per share amount of all cash dividends and 100 times the aggregate per share amount of all non-cash dividends, other than a dividend payable in our common stock, declared on our common stock. Such dividends are payable quarterly on the first day of January, April, July and October in each year commencing on the first quarterly dividend payment date after the first issuance of a share or fraction of a share of Series A Junior Participating Preferred Stock.

Liquidation Rights. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the company, the holders of shares of our Series A Junior Participating Preferred Stock are entitled to be paid out of the assets available for distribution, before any payment is made to the holders of our common stock or any other series or class of our shares ranking junior to the Series A Junior Participating Preferred Stock, an amount equal to $100.00 per share, plus an amount equal to all accrued and unpaid dividends. Following the payment in full of such liquidation preference, no additional distributions may be made to the holders of shares of Series A Junior Participating Preferred Stock unless the holders of our common stock have received an amount per share equal to a specified quotient, and, upon payment in full to the holders of our common stock of an amount equal to such quotient, holders of Series A Junior Participating Preferred Stock and our common stock are entitled to receive their ratable and proportionate share of the remaining assets to be distributed in a specified ratio.

Voting Rights. Each share of Series A Junior Participating Preferred Stock is entitled to one vote on all matters submitted to a vote of our stockholders.

Redemption. Shares of Series A Junior Participating Preferred Stock are not redeemable.

Anti-Takeover Effects

Certificate of Incorporation and Bylaws.

Various provisions of our certificate of incorporation and bylaws, which are summarized in the following paragraphs, may be deemed to have an anti-takeover effect and may delay, defer or prevent a tender offer or takeover attempt that a stockholder might consider in its best interest, including those attempts that might result in a premium over the market price for the shares held by stockholders.

No Cumulative Voting. The Delaware General Corporation Law, which we refer to as the DGCL, provides that stockholders are denied the right to cumulate votes in the election of directors unless our certificate of incorporation provides otherwise. Our certificate of incorporation does not expressly address cumulative voting.

No Stockholder Action by Written Consent: Calling of Special Meetings of Stockholders. Our certificate of incorporation prohibits stockholder action by written consent. Our bylaws provide that special meetings of our stockholders may be called only by our board of directors, a committee of the board of directors or one or more stockholders holding shares that in the aggregate are entitled to cast ten percent of the votes at that meeting.

Classified Board of Directors. Our certificate of incorporation divides our board of directors into three classes of directors who are elected for three-year terms. Therefore, the full board of directors is not subject to re-election at each annual meeting of our stockholders.

Limits on Ability of Stockholders to Elect and Remove Directors. Our board of directors has the sole right to elect a director to fill a vacancy created by the expansion of the board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors. In addition, directors may only be removed by the action of the holders of at least two-thirds of the outstanding shares of our capital stock, voting together as a single class.

Authorized But Unissued Shares. Our authorized but unissued shares of common stock and preferred stock will be available for future issuance without the approval of holders of common stock. We may use these additional shares for a variety of corporate purposes, including future offerings to raise additional capital, corporate acquisitions and employee benefit plans.

Supermajority Requirement for Amendment of Bylaws. Under our bylaws, the holders of at least two-thirds of the outstanding shares of our capital stock, voting together as a single class, must act to amend our bylaws by stockholder action. The board of directors also has the ability to amend the bylaws without stockholder consent.

Business Combinations and other Significant Corporate Transactions with Substantial Stockholders. Our certificate of incorporation requires the affirmative vote of 66 2/3% of the total voting power of all outstanding securities entitled to vote generally in the election of directors to approve certain business combinations and other significant corporate transactions if a substantial stockholder (as defined in our certificate of incorporation) or an affiliate of a substantial stockholder (as defined in our certificate of incorporation) is a party to the transaction. Two-thirds of the board of directors may, in all such cases, determine not to require such 66 2/3% affirmative vote.

Rights Agreement

On December 20, 2006, our board of directors adopted a stockholder rights plan and entered into a rights agreement with The Bank of New York, as rights agent. The purpose of the stockholder rights plan is to enhance the ability of our board of directors to protect our stockholders' interests by encouraging potential acquirers to negotiate with our board of directors prior to attempting a takeover bid and to provide our board of directors with adequate time to consider any and all alternatives to such a bid. The rights plan may discourage, delay or prevent a change in control of the company. It will not interfere with any merger or other business combination approved by our board of directors.

Under the stockholder rights plan, each of our stockholders of record on December 20, 2006 received a purchase right for each outstanding share of common stock that the stockholder owned, which we refer to as rights. The holder of a right does not have the powers and privileges of a stockholder with respect to the right. The rights trade with our common stock and become exercisable only under the circumstances described below.

In general, the rights will become exercisable when the first of the following events happens:

- ten calendar days after a public announcement that a person or group has acquired beneficial ownership of 20% or more of our outstanding shares of common stock; or

- ten business days, or a later date if determined by our board of directors, after the beginning of, or an announcement of an intention to make, a tender offer or exchange offer that would result in a person or group beneficially owning 20% or more of our outstanding shares of common stock.

If the rights become exercisable, the holder of a right will be able to purchase one one-hundredth of a Series A Junior Participating Preferred Share at an exercise price of $1,200.00 per one one-hundredth of a preferred share, subject to adjustment to prevent dilution.

Once a person or group acquires 20% or more of our outstanding shares of common stock, all holders of rights except that person or group may, upon payment of the exercise price, and in lieu of acquiring preferred shares, purchase, with respect to each right, a number of shares of common stock having a market value equal to two times the $1,200.00 exercise price. In other words, each right will entitle the holder of the right to acquire shares of common stock at a 50% discount to the then prevailing market price of our shares of common stock.

In addition, if at any time following the public announcement that a person or group has acquired beneficial ownership of 20% or more of our outstanding shares of common stock:

- we enter into a merger or other business combination transaction in which we are not the surviving entity;

- we enter into a merger or other business combination transaction in which we are the surviving entity, but all or part of our shares of common stock are exchanged for securities of another entity, cash or other property; or

- we sell or otherwise transfer 50% or more of our assets, cash flow or earning power;

then each holder of a right, other than rights held by the person or group who triggered the event, will be entitled to receive, upon exercise, shares of common stock of the acquiring company equal to two times the $1,200.00 exercise price of the right, effectively a 50% discount to the market price of such shares.

At any time after a person or group has acquired beneficial ownership of 20% or more of our outstanding shares of common stock and prior to such person or group acquiring 50% or more of our outstanding shares of common stock, our board of directors may, at its option, exchange all or any part of the then outstanding and exercisable rights for our shares of common stock at an exchange ratio of one share of common stock for each right.

We may redeem all, but not less than all, of the rights at a price of $.01 per right at any time before the earlier of:

- at any time until 10 days following the time at which any person or group has acquired beneficial ownership of 20% or more of our outstanding shares of common stock; or

- the expiration date of the rights agreement.

The rights will expire at the close of business on December 19, 2016, unless we redeem or exchange them before that date.

The above description of our rights plan is not intended to be a complete description. For a full description of the rights plan, you should read the rights agreement. The rights agreement is included as an exhibit to this registration statement on Form 10.

Transfer Agent and Registrar.

The Transfer Agent and Registrar for our common stock is Bank of New York Mellon.

ITEM 12. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 102 of the DGCL allows a corporation to eliminate the personal liability of directors of a corporation to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except where the director breached the duty of loyalty, failed to act in good faith, engaged in intentional misconduct or knowingly violated a law, authorized the payment of a dividend or approved a stock repurchase or redemption in violation of Delaware corporate law or obtained an improper personal benefit.

Section 145 of the DGCL provides for the indemnification of officers, directors and other corporate agents in terms sufficiently broad to indemnify such persons under circumstances for liabilities (including reimbursement for expenses incurred) arising under the Securities Act. Our certificate of incorporation and bylaws provide for indemnification of our officers, directors, employees and agents to the extent and under the circumstances permitted under the DGCL.

Our certificate of incorporation includes a provision that eliminates the personal liability of directors for monetary damages for actions taken as a director, except for liability:

- for breach of duty of loyalty;
- for acts or omissions not in good faith or involving intentional misconduct or knowing violation of law;
- under Section 174 of the Delaware General Corporation Law (unlawful payment of dividends or unlawful stock purchase or redemption); or
- for transactions from which the director derived improper personal benefit.

Our bylaws provide that we must indemnify our directors and officers to the fullest extent authorized by the Delaware General Corporation Law. We are also expressly authorized to carry directors’ and officers’ insurance providing indemnification for our directors, officers and certain employees for some liabilities. We believe that these indemnification provisions and insurance are useful to attract and retain qualified directors and officers.

The limitation of liability and indemnification provisions in our certificate of incorporation and bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions may also have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders.

There is currently pending no material litigation or proceeding involving any of our directors, officers or employees for which indemnification is sought.

ITEM 13. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See “Item 15 – Financial Statements and Exhibits” contained in this registration statement on Form 10.

ITEM 14. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 15. FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial Statements

Please see the following financial statements set forth below beginning on page F-1 of this registration statement on Form 10.

Page	Description
F-1	Report of Independent Registered Public Accounting Firm
F-2	Consolidated Statements of Operations for the Years Ended October 31, 2009, 2008 and 2007
F-3	Consolidated Balance Sheets at October 31, 2009 and 2008
F-4	Consolidated Statements of Stockholders' Equity for the Years Ended October 31, 2009, 2008 and 2007
F-6	Consolidated Statements of Cash Flows for the Years Ended October 31, 2009, 2008 and 2007
F-8	Notes to Consolidated Financial Statements
F-58	Windfall Investors, LLC Independent Auditors' Report
F-59	Windfall Investors, LLC Balance Sheet at December 31, 2008
F-60	Windfall Investors, LLC Statement of Income and Members' Deficit for the Year Ended December 31, 2008
F-61	Windfall Investors, LLC Statement of Cash Flows for the Year Ended December 31, 2008
F-62	Windfall Investors, LLC Notes to Financial Statements

(b) Exhibits. The following documents are filed as exhibits hereto:

Exhibit No.	Description
3.1	Restated Certificate of Incorporation of Limoneira Company, dated July 5, 1990
3.2	Certificate of Merger of Limoneira Company and The Samuel Edwards Associates into Limoneira Company, dated October 31, 1990
3.3	Certificate of Merger of McKevett Corporation into Limoneira Company dated December 31, 1994
3.4	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
3.5	Amended Certificate of Designation, Preferences and Rights or $8.75 Voting Preferred Stock, $100.00 Par Value, Series B of Limoneira Company, dated May 21, 1997
3.6	Agreement of Merger Between Ronald Michaelis Ranches, Inc. and Limoneira Company, dated June 24, 1997
3.7	Certificate of Amendment of Certificate of Incorporation of Limoneira Company, dated April 22, 2003
3.8	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock, $.01 Par Value, of Limoneira Company, dated November 21, 2006
3.9	Bylaws of Limoneira Company
3.10	Amendment of Bylaws of Limoneira Company, effective as of December 15, 2009
4.1	Specimen Certificate representing shares of Common Stock, par value $0.01 per share

4.2	Rights Agreement dated December 20, 2006 between Limoneira Company and The Bank of New York, as Rights Agent
10.1	Sunkist Growers, Inc. Commercial Packinghouse License Agreement dated as of October 1, 2008, by and among Sunkist Growers, Inc., Ventura County Fruit Exchange and Limoneira Company
10.2	Avocado Marketing Agreement effective February 8, 2003, by and between Calavo Growers, Inc. and Limoneira Company, as amended
10.3	Stock Purchase Agreement dated as of June 1, 2005, between Limoneira Company and Calavo Growers, Inc.
10.4	Standstill Agreement dated June 1, 2005, between Limoneira Company and Calavo Growers, Inc.
10.5	Standstill Agreement dated June 1, 2005 between Calavo Growers, Inc. and Limoneira Company
10.6	Lease Agreement dated as of February 15, 2005, between Limoneira Company and Calavo Growers, Inc.
10.7	Amended and Restated Line of Credit Agreement dated as of December 15, 2008, by and between Limoneira Company and Rabobank, N.A.
10.8	Amendment to Amended and Restated Line of Credit Agreement dated May 12, 2009, between Limoneira Company and Rabobank, N.A.
10.9	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)
10.10	Promissory Note and Loan Agreement dated April 23, 2007, between Farm Credit West, FLCA and Limoneira Company
10.11	Master Loan Agreement dated as of September 23, 2005, among Farm Credit West, PCA, Windfall Investors, LLC and Limoneira Company
10.12	Promissory Note and Loan Agreement dated as of September 23, 2005, among Farm Credit West, PCA, Windfall, LLC and Limoneira Company
10.13	Promissory Note and Supplement to Master Loan Agreement dated as of September 23, 2005, among Farm Credit West, PCA, Windfall LLC and Limoneira Company
10.14	Limoneira Company Management Incentive Plan 2008-2009
10.15	Limoneira Stock Grant Performance Bonus Plan
10.16	Limoneira Company 2010 Omnibus Incentive Plan
10.17	First Amendment to Lease and Option Agreement dated January 1, 1992, by and between Phila M. Caldwell and Gordon B. Crary, Jr., as Trustees of the Caldwell Survivor's Trust UTA Dated 9/29/86 (T.I.N. ###-##-####), and the Caldwell Marital Trust UTA Dated 9/29/86 (T.I.N. 95-6915674) and the Santa Paula Land Company, Inc.
10.18	Lease and Option Agreement dated January 1, 1992, by and between Phila M. Caldwell and Gordon B. Crary, Jr., as Trustees of the Caldwell Survivor's Trust UTA Dated 9/29/86 (T.I.N. ###-##-####), and the Caldwell Marital Trust UTA Dated 9/29/86 (T.I.N. 95-6915674) and the Santa Paula Land Company, Inc.
10.19	Guaranty of Lease dated July 30, 1992 by Limoneira Company
21.1	Subsidiaries of Limoneira Company

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

LIMONEIRA COMPANY

Date: February 12, 2010

By: /s/ Harold S. Edwards
Harold S. Edwards
President and Chief Executive Officer

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Limoneira Company

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

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

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

/s/ Ernst & Young LLP

Los Angeles, California
February 12, 2010

Limoneira Company

Consolidated Statements of Operations

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

See accompanying notes.

Limoneira Company

Consolidated Balance Sheets

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

See accompanying notes.

Limoneira Company

Consolidated Statements of Stockholders' Equity

	Series B Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Shares	Amount				
Balance at November 1, 2006	30,000	$ 3,000,000	1,106,288	$ 11,000	$ 31,683,000	$ 21,274,000	$ (3,427,000)	$ 52,541,000
Dividends – common	–	–	–	–	–	(2,491,000)	–	(2,491,000)
Dividends – preferred	–	–	–	–	–	(262,000)	–	(262,000)
Stock compensation expense	–	–	7,500	–	3,187,000	–	–	3,187,000
Repurchase of common stock	–	–	(450)	–	(113,000)	–	–	(113,000)
Comprehensive income:								
Net income	–	–	–	–	–	2,146,000	–	2,146,000
Minimum pension liability adjustment, net of tax provision of $857,000	–	–	–	–	–	–	1,286,000	1,286,000
Unrealized holding gain of security available-for-sale, net of tax provision of $5,239,000	–	–	–	–	–	–	7,920,000	7,920,000
Total comprehensive income								11,352,000
Balance at October 31, 2007	30,000	3,000,000	1,113,338	11,000	34,757,000	20,667,000	5,779,000	64,214,000
Dividends – common	–	–	–	–	–	(3,619,000)	–	(3,619,000)
Dividends – preferred	–	–	–	–	–	(262,000)	–	(262,000)
Stock compensation expense	–	–	4,524	–	600,000	–	–	600,000
Repurchase of common stock	–	–	(4,586)	–	(1,146,000)	–	–	(1,146,000)
Comprehensive loss:								
Net income	–	–	–	–	–	3,495,000	–	3,495,000
Minimum pension liability adjustment, net of tax benefit of $253,000	–	–	–	–	–	–	(381,000)	(381,000)
Unrealized holding loss of security available-for-sale, net of tax benefit of $5,083,000	–	–	–	–	–	–	(7,677,000)	(7,677,000)

Limoneira Company

Consolidated Statements of Stockholders' Equity (continued)

	Series B Convertible Preferred Stock		Common Stock		Additional Paid-In	Retained	Accumulated Other Comprehensive	
	Shares	Amount	Shares	Amount	Capital	Earnings	Income (Loss)	Total
Unrealized loss resulting from changes in fair values of derivative instruments, net of tax benefit of $254,000	–	$ –	–	$ –	$ –	$ –	$ (383,000)	$ (383,000)
Cumulative effect adjustment for uncertainty in income taxes	–	–	–	–	–	(55,000)	–	(55,000)
Total comprehensive loss								(5,001,000)
Balance at October 31, 2008	30,000	3,000,000	1,113,276	11,000	34,211,000	20,226,000	(2,662,000)	54,786,000
Dividends – common	–	–	–	–	–	(701,000)	–	(701,000)
Dividends – preferred	–	–	–	–	–	(262,000)	–	(262,000)
Stock compensation expense	–	–	13,048	–	614,000	–	–	614,000
Repurchase of common stock	–	–	(36)	–	(5,000)	–	–	(5,000)
Comprehensive loss:								
Net loss	–	–	–	–	–	(2,877,000)	–	(2,877,000)
Minimum pension liability adjustment, net of tax benefit of $1,276,000	–	–	–	–	–	–	(1,915,000)	(1,915,000)
Unrealized holding gain of security available-for-sale, net of tax provision of $2,028,000	–	–	–	–	–	–	3,042,000	3,042,000
Unrealized loss resulting from changes in fair values of derivative instruments, net of tax benefit of $614,000	–	–	–	–	–	–	(921,000)	(921,000)
Total comprehensive loss								(2,671,000)
Balance at October 31, 2009	30,000	$ 3,000,000	1,126,288	$ 11,000	$ 34,820,000	$ 16,386,000	$ (2,456,000)	$ 51,761,000

See accompanying notes.

Limoneira Company

Consolidated Statements of Cash Flows

	Year Ended October 31		
	2009	2008	2007
Operating activities			
Net (loss) income from continuing operations	$ (2,865,000)	$ 3,747,000	$ 2,391,000
Adjustments to reconcile net (loss) income from continuing operations to net cash (used in) provided by operating activities:			
Depreciation and amortization	2,323,000	2,434,000	2,267,000
Loss on disposal/sale of fixed assets	10,000	11,000	56,000
Write-off of intangible asset	–	34,000	–
Impairments of real estate development	6,203,000	1,341,000	–
Orchard write-offs	69,000	1,172,000	383,000
Gain on sale of stock in Calavo Growers, Inc.	(2,729,000)	–	–
Stock compensation expense	770,000	600,000	3,187,000
Equity in earnings (losses) of investments	170,000	(153,000)	(89,000)
Deferred income taxes	(2,226,000)	407,000	164,000
Amortization of deferred financing costs	25,000	–	–
Changes in operating assets and liabilities:			
Accounts and notes receivable	(1,211,000)	(122,000)	137,000
Inventoried cultural costs	288,000	32,000	(183,000)
Prepaid expenses and other current assets	210,000	(467,000)	473,000
Income taxes receivable	987,000	(1,186,000)	(5,000)
Other assets	(135,000)	(29,000)	28,000
Accounts payable and growers payable	(1,429,000)	40,000	(475,000)
Accrued liabilities	(1,054,000)	(67,000)	1,934,000
Other long-term liabilities	(403,000)	(878,000)	(602,000)
Net cash (used in) provided by operating activities	(997,000)	6,916,000	9,666,000
Investing activities			
Capital expenditures	(7,159,000)	(29,206,000)	(8,919,000)
Net proceeds from sale of fixed assets	26,000	19,000	4,000
Net proceeds from sale of stock in Calavo Growers, Inc.	6,079,000	–	–
Cash distributions from equity investments	79,000	623,000	362,000
Equity investment contributions	–	(30,000)	(526,000)
Issuance of notes receivable	(375,000)	(540,000)	(23,195,000)
Collection of note receivable	–	–	4,264,000
Investments in mutual water companies and water rights	(30,000)	(117,000)	(1,561,000)
Other	(100,000)	(100,000)	(131,000)
Net cash used in investing activities	(1,480,000)	(29,351,000)	(29,702,000)
Financing activities			
Borrowings of long-term debt	27,921,000	62,093,000	27,470,000
Repayments of long-term debt	(23,787,000)	(34,986,000)	(3,510,000)
Dividends paid – Common	(701,000)	(3,619,000)	(2,491,000)
Dividends paid – Preferred	(262,000)	(262,000)	(262,000)
Repurchase of common shares	(5,000)	(1,146,000)	(113,000)
Payments of debt financing costs	(166,000)	–	–
Net cash provided by financing activities	3,000,000	22,080,000	21,094,000
Net increase (decrease) in cash and cash equivalents	523,000	(355,000)	1,058,000
Net cash used in discontinued operations	(10,000)	(41,000)	(576,000)
Cash and cash equivalents at beginning of year	90,000	486,000	4,000
Cash and cash equivalents at end of year	$ 603,000	$ 90,000	$ 486,000

Limoneira Company

Consolidated Statements of Cash Flows (continued)

	Year Ended October 31		
	2009	2008	2007
Supplemental disclosures of cash flow information			
Cash paid during the year for interest	$ 3,000,000	$ 2,548,000	$ 2,557,000
Cash paid during the year for income taxes, net of (refunds)received	$ (987,000)	$ 2,935,000	$ 131,000
Non-cash investing, financing, and other comprehensive income (loss) transactions:			
Minimum pension liability adjustment, net of tax benefit	$ 1,915,000	$ 381,000	$ (1,286,000)
Unrealized holding (gain) loss on security, net of tax benefit	$ (3,042,000)	$ 7,677,000	$ (7,920,000)
Unrealized loss from derivatives, net of tax benefits	$ 921,000	$ 383,000	$ –
Write-off of intangible asset	$ –	$ 34,000	$ –
Conversion of note receivable and interest from Templeton Santa Barbara, LLC to controlling equity interest	$ –	$ 22,656,000	$ –
Capital expenditures accrued but not paid at year-end	$ 242,000	$ 600,000	$ –

See accompanying notes.

Notes to Consolidated Financial Statements

1. Business

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

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

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

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

2. Summary of Significant Accounting Policies

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

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies (continued)

Cash Equivalents

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

Income Taxes

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

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

Property, Plant, and Equipment

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

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

2. Summary of Significant Accounting Policies (continued)

Capitalized Interest

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

Real Estate Development

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

Marketable Securities

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

Equity in Investments

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

Intangible Assets

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

2. Summary of Significant Accounting Policies (continued)

Long-Lived Assets

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

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

Fair Values of Financial Instruments

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

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

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

Concentrations of Credit Risk

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

2. Summary of Significant Accounting Policies (continued)

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

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

Derivative Financial Instruments

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

Comprehensive Income (Loss)

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

Basic and Diluted Net Income per Share

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

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

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

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

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

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

Advertising Expense

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

Cultural Costs

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

2. Summary of Significant Accounting Policies (continued)

Leases

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

Recently Adopted Accounting Pronouncements

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

2. Summary of Significant Accounting Policies (continued)

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

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

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

- Level 1: Quoted prices in active markets for identical assets or liabilities.

- Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities.

- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

2. Summary of Significant Accounting Policies (continued)

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

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

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

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

2. Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Standards

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

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

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

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

2. Summary of Significant Accounting Policies (continued)

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

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

3. Fair Value Measurements

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

3. Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	Total
Assets at fair value:				
Available- for -sale securities	$ 11,870,000	$ –	$ –	$ 11,870,000
Liabilities at fair value:				
Derivatives	–	2,171,000	–	2,171,000

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

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

4. Property, Plant, and Equipment

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

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

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

5. Real Estate Development Assets/Assets Held for Sale

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

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

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

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

East Areas 1 and 2

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

5. Real Estate Development Assets/Assets Held for Sale (continued)

Templeton Santa Barbara, LLC

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

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

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

5. Real Estate Development Assets/Assets Held for Sale (continued)

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

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

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

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

Arizona Development Projects

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

5. Real Estate Development Assets/Assets Held for Sale (continued)

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

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

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

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

5. Real Estate Development Assets/Assets Held for Sale (continued)

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

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

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

6. Equity Investments

Limco Del Mar, Ltd.

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

6. Equity Investments (continued)

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

Vista Pointe, LLC

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

Windfall Investors, LLC

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

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

6. Equity Investments (continued)

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

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

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

Romney Property Partnership

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

6. Equity Investments (continued)

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

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

6. Equity Investments (continued)

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

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

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

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

7. Investment in Calavo Growers, Inc.

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

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

8. Notes Receivable

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

8. Notes Receivable (continued)

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

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

9. Other Assets

Other assets at October 31 are comprised of the following:

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

9. Other Assets (continued)

Investments in Mutual Water Companies

The Company's investments in various not-for-profit mutual water companies provide the Company with the right to receive a proportionate share of water from each of the not-for-profit mutual water companies that have been invested in and do not constitute voting shares and/or rights. Since the Company does not have the ability to control or exercise significant influence over the operating and financial policies of each of these not-for-profit mutual water companies, the Company is accounting for such investments at historical cost.

Acquired Water and Mineral Rights

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

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

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

Definite-Lived Intangibles and Other Assets

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

9. Other Assets (continued)

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

Revolving Funds and Memberships

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

10. Discontinued Operations

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

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

10. Discontinued Operations (continued)

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

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

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

11. Long-Term Debt

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

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

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

11. Long-Term Debt (continued)

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

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

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

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

11. Long-Term Debt (continued)

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

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

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

12. Derivative Instruments and Hedging Activities

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

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

12. Derivative Instruments and Hedging Activities (continued)

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

13. Related-Party Transactions

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

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

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

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

13. Related Party Transactions (continued)

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

14. Income Taxes

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

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

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

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

14. Income Taxes (continued)

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

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

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

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

14. Income Taxes (continued)

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

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

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

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

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

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

15. Retirement Plans

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

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

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

	2009	**2008**
Asset category:		
Equity	51%	49%
Fixed income	47	47
Cash	2	4
Total	100%	100%

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

15. 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 periodic benefit cost.

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

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

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

	2009	2008
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 11,175,000	$ 13,963,000
Service cost	87,000	85,000
Interest cost	888,000	847,000
Benefits paid	(957,000)	(884,000)
Actuarial loss (gain)	3,852,000	(2,836,000)
Benefit obligation at end of year	$ 15,045,000	$ 11,175,000
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 11,250,000	$ 13,794,000
Actual return on plan assets	1,666,000	(2,860,000)
Employer contributions	300,000	1,200,000
Benefits paid	(957,000)	(884,000)
Fair value of plan assets at end of year	$ 12,259,000	$ 11,250,000
Funded status:		
(Unfunded) funded status at end of year	$ (2,786,000)	$ 75,000

15. Retirement Plans (continued)

	2009	2008
Amounts recognized in statements of financial position:		
Noncurrent assets	$ –	$ 75,000
Current liabilities	–	–
Noncurrent liabilities	(2,786,000)	–
Net amount recognized in statement of financial position	$ (2,786,000)	$ 75,000
Additional year-end information:		
Accumulated benefit obligation	$ 15,045,000	$ 11,175,000
Projected benefit obligation	15,045,000	11,175,000
Fair value of plan assets	12,259,000	11,250,000
Weighted-average assumptions as of October 31, 2009 and 2008, used to determine benefit obligations:		
Discount rate	5.75%	8.25%
Expected long-term return on plan assets	7.50%	7.50%
Weighted-average assumption used to determine net periodic benefit cost:		
Discount rate	8.25%	6.25%
Expected long-term return on plan assets	7.50%	7.50%

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

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

15. Retirement Plans (continued)

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

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

16. Rental Operating Leases

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

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

17. Commitments and Contingencies

Operating Leases

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

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

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

17. Commitments and Contingencies (continued)

Minimum future lease payments are as follows:

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

Litigation

The Company is from time to time involved in various lawsuits and legal proceedings that arise in the ordinary course of business. At this time, the Company is not aware of any pending or threatened litigation against it that it expects will have a material adverse effect on its business, financial condition, liquidity, or operating results. Legal claims are inherently uncertain, however, and it is possible that the Company's business, financial condition, liquidity and/or operating results could be adversely affected in the future by legal proceedings.

18. Stockholders' Equity

Series B Convertible Preferred Stock:

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

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

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

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

18. Stockholders' Equity (continued)

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

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

Series A Junior Participating Preferred Stock:

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

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

18. Stockholders' Equity (continued)

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

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

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

Stock Option Plan/Stock Grant Program:

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

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

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

18. Stockholders' Equity (continued)

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

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

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

18. Stockholders' Equity (continued)

Shareholder Rights Agreement:

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

19. Segment Information

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

Segment information for year ended October 31, 2009:

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

19. Segment Information (continued)

Segment information for year ended October 31, 2008:

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

Segment information for year ended October 31, 2007:

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

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

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

20. Fruit Growers Supply Cooperative

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

21. Subsequent Events

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

21. Subsequent Events (continued)

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

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

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

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

21. Subsequent Events (continued)

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

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

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

(1) Adjustment to reflect the tax benefit of the Windfall Investors, LLC pre-tax net loss based on Limoneira Company’s tax structure and an estimated tax rate of 40%.

(2) Adjustment to eliminate Limoneira Company’s equity in losses of Windfall Investors, LLC for the year ended October 31, 2009.

21. Subsequent Events (continued)

Other Subsequent Events

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

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

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

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

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

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

Windfall Investors, LLC

Financial Statements

Year Ended December 31, 2008

WINDFALL INVESTORS, LLC
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008

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Independent Auditors' Report

Board of Directors
Windfall Investors, LLC
Santa Paula, CA 93060

We have audited the accompanying balance sheet of Windfall Investors, LLC as of December 31, 2008, and the related statements of income and members' deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Windfall Investors, LLC as of December 31, 2008, and the results of their operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Glenn, Burdette, Phillips & Bryson
Certified Public Accountants
A Professional Corporation
San Luis Obispo, California

January 29, 2010

WINDFALL INVESTORS, LLC
BALANCE SHEET
DECEMBER 31, 2008

ASSETS		
Current Assets		
Cash and cash equivalents	$	17,409
Trade receivables, net		106,730
Inventory		52,270
Prepaid expenses and other current assets		28,023
Deferred crop costs		45,100
Current portion of note receivable		8,989
Total current assets		258,521
Property, Plant, and Equipment, Net		12,321,390
Other Assets, Net		66,744
Total Assets	$	12,646,655
LIABILITIES AND MEMBERS' DEFICIT		
Current Liabilities		
Accounts payable	$	144,164
Accrued liabilities		6,839
Deposits		2,550
Lines of credit		8,956,814
Current portion of notes payable		135,150
Total current liabilities		9,245,517
Long-Term Liabilities		
Notes payable, net of current portion		9,262,778
Total long-term liabilities		9,262,778
Members' Deficit		(5,861,640)
Total Liabilities and Members' Deficit	$	12,646,655

The accompanying notes are an integral part of these financial statements.

WINDFALL INVESTORS, LLC
STATEMENT OF INCOME AND MEMBERS' DEFICIT
YEAR ENDED DECEMBER 31, 2008

Revenues	$ 823,253
Cost of Revenues	252,251
Gross Profit	571,002
Operating Expenses	1,575,655
Loss from operations	(1,004,653)
Other Income (Expense)	
Interest expense	(1,105,267)
Loss from sale of assets	(74,688)
Other income, net	195,922
Total other income (expense)	(984,033)
Net loss before provision for income taxes	(1,988,686)
Provision for income taxes	6,800
Net Loss	(1,995,486)
Members' Deficit - Beginning of Year	(3,866,154)
Members' Deficit - End of Year	$ (5,861,640)

The accompanying notes are an integral part of these financial statements.

WINDFALL INVESTORS, LLC
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2008

Cash Flows From Operating Activities	
Net loss	$ (1,995,486)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation and amortization	175,585
Bad debt expense	536,004
Impairment of other assets	43,226
Loss on sale of assets	74,688
Change in assets and liabilities:	
Increase in trade receivables	(98,700)
Increase in inventory	(13,918)
Decrease in prepaid expenses and other current assets	74,279
Increase in deferred crop costs	(45,100)
Decrease in accounts payable	(104,957)
Increase in accrued liabilities	3,599
Increase in deposits	2,550
Total adjustments	647,256
Net cash used by operating activities	(1,348,230)
Cash Flows From Investing Activities	
Purchases of fixed assets	(73,272)
Purchases of other assets	(75,000)
Proceeds from sale of other assets	52,925
Net cash used by investing activities	(95,347)
Cash Flows From Financing Activities	
Changes in note receivable	(5,383)
Repayments under notes payable	(120,603)
Advances on lines of credit, net	1,582,634
Net cash provided by financing activities	1,456,648
Net increase in cash	13,071
Cash and Cash Equivalents - Beginning of Year	4,338
Cash and Cash Equivalents - End of Year	$ 17,409
Schedule of Payments for Interest and Taxes	
Payments for interest	$ 1,105,267
Payments for income taxes	$ 6,800

The accompanying notes are an integral part of these financial statements.

Note 1 - Summary of Significant Accounting Policies

A. Nature of Business

Windfall Investors, LLC (the Company) is a farming operation located in Paso Robles, California. The Company also provides services for horse training and boarding.

B. Inventory

Inventories are stated at lower of cost (first-in, first-out) or market.

C. Property, Plant and Equipment

Property, plant and equipment are stated at cost with depreciation provided on the straight-line basis over the estimated useful lives ranging from five to thirty-nine years.

D. Income Taxes

The Company has been formed as a Limited Liability Company (LLC) with taxation treatment as a partnership. As such, income or losses will be passed through the Company to its members for purposes of income taxation. Under current California law, an LLC is subject to an annual $800 LLC tax as well as an LLC fee based on gross receipts. The LLC fee for the year ended December 31, 2008 was $6,800.

On July 13, 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation 48 (FIN 48), *Accounting for Uncertainty in Income Taxes: An Interpretation of FASB Statement No. 109 (SFAS 109, Accounting for Income Taxes)*. FIN 48 clarifies SFAS 109 to indicate a criterion that an individual tax position would have to meet for some or all of the income tax benefit to be recognized in the financial statements. Originally effective for fiscal years beginning after December 15, 2006, the FASB subsequently issued two deferrals for nonpublic enterprises, including pass-through entities and not-for-profit organizations, the most recent being FASB Staff Position 48-3 (FSP 48-3) in December 2008. FSP 48-3 deferred the effective date of FIN 48 until years beginning after December 15, 2008.

E. Fair Value Measurements

In September 2006, the FASB issued SFAS 157, *Fair Value Measurements*. SFAS 157 defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements. SFAS 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and states that a fair value measurement should be determined based on assumptions that market participants would use in pricing the asset or liability. The Company has adopted this standard.

Note 1 - Summary of Significant Accounting Policies (Continued)

F. Concentrations

The Company maintains cash balances at a financial institution covered under Federal Deposit Insurance Corporation (FDIC). As of October 3, 2008, the FDIC increased coverage up to $250,000 and fully insured non-interest bearing accounts. The Company did not have any uninsured cash at December 31, 2008.

Approximately 38% of the Company's accounts receivables at December 31, 2008 were from two customers.

Approximately 28% of the Company's sales during the year ended December 31, 2008 were from three customers.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain 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 reported period. Actual results could differ from those estimates.

H. Allowance for Doubtful Accounts

It is the policy of management to review the outstanding accounts receivable at year-end, as well as historical bad debt write-offs, and establish an allowance for doubtful accounts for estimated uncollectible amounts. The Company has not recorded an allowance for doubtful accounts as of December 31, 2008.

I. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Company has no cash equivalents at December 31, 2008.

J. Revenue and Cost Recognition

The Company's revenue is recognized on the accrual basis as earned based on date of delivery. Expenditures are recorded on the accrual basis whereby expenses are recorded when incurred, rather than when paid.

K. Deferred Crop Costs

Costs associated with the following year's crop are deferred at year-end and are reversed into cost of sales the following year.

Note 1 - Summary of Significant Accounting Policies (Continued)

L. Other Assets

Other assets include horses and related costs that are used for training and breeding, which are amortized on a straight-line basis over seven years, and loan costs, which are amortization over term of the loan. Amortization expense for the year ended December 31, 2008 totaled $28,275.

Note 2 - Stock in Credit Association

The Company holds stock in the farm credit association with which the Company has loans. The farm credit association requires that borrowers invest in the credit association in order to obtain a loan. The investment is offset dollar for dollar by a stock loan from the credit association, which is adjusted by the association as the outstanding loan balance is paid down.

Note 3 - Note Receivable

The Company advances from time to time amounts under a note receivable arrangement with a related party. The note receivable does not bear interest and is due upon demand. The balance outstanding on the note was $8,989 as of December 31, 2008 and has been classified as current in the financial statements.

Note 4 - Inventory

Inventory consists of finished goods at December 31, 2008.

Note 5 - Property, Plant and Equipment

Property, plant and equipment are summarized by major classification as follows:

	2008
Land	$ 11,025,220
Buildings and building improvements	1,125,815
Irrigation	105,336
Farming and transportation equipment	412,205
Office equipment	3,432
	12,672,008
Accumulated depreciation	(350,618)
	$ 12,321,390

Depreciation expense totaled $147,310 for the year ended December 31, 2008.

Note 6 - Lines of Credit

The Company has a two revolving lines of credit with Farm Credit West with a total credit line of $10,500,000. The lines of credit are unsecured and are guaranteed by a member of the Company. The lines of credit allow for borrowings based on either a fixed rate of interest (6.67% at December 31, 2008) or a variable rate of interest based on the prime rate less .75% (2.25% at December 31, 2008). Total outstanding on the lines of credit as of December 31, 2008 was $8,956,814. The lines of credit mature on March 1, 2010.

Note 7 - Notes Payable

Notes payable at December 31, 2008 consist of the following:

Note payable to Farm Credit West, with a fixed interest rate of 6.73%; due October 2035, with monthly payments of $63,092, including interest; secured by real property of the Company and guaranteed by members of the Company.	$ 9,391,753
Note payable to a related party due upon demand; secured by related party accounts receivable	6,175
Total notes payable	$ 9,397,928
Less current portion of notes payable	135,150
Notes payable, net of current portion	$ 9,262,778

The aggregate maturities of long-term debt are as follows for the year ending December 31:

Year Ending December 31,	
2009	$ 135,150
2010	137,927
2011	147,502
2012	157,741
2013	168,690
Thereafter	8,650,918
	$9,397,928

Note 8 - Related Party Transactions

In March of 2005, Windfall, LLC, a member of Windfall Investors, LLC, formed Creston Ag., LLC for the purpose of providing agricultural-related labor and management services to the agricultural industry. During 2008, Creston Ag., LLC provided labor and payroll tax services to the Company totaling $305,122. As discussed in Note 7, the amount due to Creston Ag., LLC at December 31, 2008 was $6,175 and is secured by a note receivable from the Creston Ag., LLC totaling $8,989 at December 31, 2008 (see Note 8).

The Company has also made advances to a related party, Templeton Enterprises, which totaled $11,612 at December 31, 2008, and are included in accounts receivable.

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4PM [signature] SECRETARY OF STATE

RESTATED CERTIFICATE OF INCORPORATION

OF

LIMONEIRA COMPANY,

a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

1. The name of the corporation is: LIMONEIRA COMPANY. The date of filing of its original certificate of incorporation with the Secretary of State was April 12, 1990.

2. The Restated Certificate of Incorporation restates and integrates and further amends the Certificate of Incorporation of this corporation by changing the percentage of the supermajority voting requirement, throughout; by permitting Directors to be removed without cause; by permitting holders of 10% of the voting power to call special meetings and by eliminating the provision limiting the voting power of interested shareholders.

3. The text of the Certificate of Incorporation as amended or supplemented heretofore is further amended hereby to read as herein set forth in full:

FIRST: The name of the corporation is:

LIMONEIRA COMPANY

SECOND: The address of the registered office of the Corporation in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle, and the name of its registered agent at that address is The Corporation Trust Company.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH: (a) The total number of shares of stock which the Corporation shall have authority to issue is Ten Million (10,000,000), of which stock Five Million (5,000,000) shares of the par value of One Cent ($0.01), amounting in the aggregate to Fifty Thousand Dollars ($50,000), shall be Common Stock, and of which Five Million (5,000,000) shares of the par value of One Cent ($0.01) each, amounting in the aggregate to Fifty Thousand Dollars ($50,000) shall be Preferred Stock.

(b) The designations and the powers, preferences and rights, and the qualifications, limitations or restrictions thereof are as follows:

old: 0380051
new: 0380094.red

1. The Preferred Stock may be issued in one or more series, from time to time, with each such series to have such designation, powers, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions providing for the issue of such series adopted by the Board of Directors of the Corporation, subject to (i) the limitations prescribed by law and in accordance with the provisions hereof, and (ii) the further limitation that if the stated dividends and amounts payable upon liquidation are not paid in full, the shares of all series of Preferred Stock shall share ratably in the payment of dividends including accumulations, if any, in accordance with the sums which would be payable on such shares if all dividends were declared and paid in full, and in any distribution of assets other than by way of dividends in accordance with the sums which would be payable on such distribution if all sums payable were discharged in full. For the foregoing purposes the Board of Directors is hereby expressly vested with authority to adopt any such resolution or resolutions and to cause the execution of any certificate required by law and to file the same in the office of the Secretary of State and of the State of Delaware. The authority of the Board of Directors with respect to each such series shall include, but not be limited to, the determination or fixing of the following:

(i) The designation and number of shares comprising such series, which number may (except where otherwise provided by the Board of Directors in creating such series) be increased or decreased (but not below the number of shares then outstanding) from time to time by like action of the Board of Directors:

(ii) The dividend rate of such series, the conditions and times upon which such dividends shall be payable, the relation which such dividends shall bear to the dividends payable on any other class or classes of stock or series thereof, or any other series of the same class, and whether dividends shall be cumulative or non-cumulative;

(iii) Whether or not the shares of the series shall be subject to the operation of a retirement or sinking fund to be applied to the purchase, or redemption of such shares and, if such retirement or sinking fund be established, the annual amount thereof and the terms and provisions relative to the operation thereof;

(iv) Whether or not the shares of the series shall be convertible into or exchangeable for shares of any

other class or classes, with or without par value, or of any other series of the same class, and, if provision is made for conversion or exchange, the times, prices, rates, adjustments, and other terms and conditions of such conversion or exchange;

(v) Whether or not the shares of the series shall have voting rights, in addition to the voting rights provided by law, and if so, subject to the limitation hereinafter set forth, the terms of such voting rights;

(vi) The rights of the shares of the series in the event of voluntary or involuntary liquidation, dissolution, or upon the distribution of assets of the Corporation;

(vii) Any other powers, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, of the shares of such series, as the Board of Directors may deem advisable and as shall not be inconsistent with the provisions of this Certificate of Incorporation.

2. The holders of shares of the Preferred Stock of each series shall be entitled to receive, when and as declared by the Board of Directors, out of funds legally available for the payment of dividends, dividends at the rates fixed by the Board of Directors for such series, and no more, before any dividends, other than dividends payable in Common Stock, shall be declared and paid, or set apart for payment, on the Common Stock with respect to the same dividend period.

3. Whenever, at any time, dividends on the then outstanding Preferred Stock as may be required with respect to any series outstanding shall have been paid or declared and set apart for payment on the then outstanding Preferred Stock, and after complying with respect to any retirement or sinking fund or funds for any series of Preferred Stock, the Board of Directors may, subject to the provisions of the resolution or resolutions creating any series of Preferred Stock, declare and pay dividends on the Common Stock, and the holders of shares of the Preferred Stock shall not be entitled to share therein.

4. The holders of shares of the Preferred Stock of each series shall be entitled upon liquidation or dissolution or upon the distribution of the assets of the Corporation to such preferences as provided in the resolution or resolutions creating such series of Preferred Stock, and no more, before any distribution of the assets of the Corporation shall be made to the holders of shares of the Common

Stock. Whenever the holders of shares of the Preferred Stock shall have been paid the full amounts to which they shall be entitled, the holders of shares of the Common Stock shall be entitled to share ratably in all assets of the Corporation remaining.

5. At all meetings of the stockholders of the Corporation, the holders of shares of the Common Stock shall be entitled to one vote for each share of Common Stock held by them. Except as otherwise provided by a resolution or resolutions of the Board of Directors creating any series of Preferred Stock or by the laws of the State of Delaware, the holders of shares of the Common Stock issued and outstanding shall have and possess the exclusive right to notice of stockholders' meetings and exclusive power to vote. The holders of shares of the Preferred Stock issued and outstanding shall, in no event, be entitled to more than one vote for each share of Preferred Stock held by them unless otherwise required by law.

FIFTH: (a) The name and mailing address of each incorporater is as follows:

NAME	MAILING ADDRESS
J. Patrick Whaley	One Wilshire Boulevard Suite 2000 Los Angeles, CA 90017
Lawrence E. Stickney	One Wilshire Boulevard Suite 2000 Los Angeles, CA 90017
Richard J. Babcock	One Wilshire Boulevard Suite 2000 Los Angeles, CA 90017

(b) The name and mailing address of each person who is to serve as a director until the first annual meeting of stockholders or until a successor is elected and qualified is as follows:

NAME	MAILING ADDRESS
John W. Blanchard	1141 Cummings Road Santa Paula, CA 93060
John M. Dickenson, III	1141 Cummings Road Santa Paula, CA 93060
Samuel R. Edwards	1141 Cummings Road Santa Paula, CA 93060
Robert A. Hardison	1141 Cummings Road Santa Paula, CA 93060

Kelly Howie	1141 Cummings Road Santa Paula, CA 93060
Robert A. Procter	1141 Cummings Road Santa Paula, CA 93060
Alan M. Pinkerton	1141 Cummings Road Santa Paula, CA 93060
Robert M. Sawyer	1141 Cummings Road Santa Paula, CA 93060
Allan M. Teague	1141 Cummings Road Santa Paula, CA 93060

SIXTH: The Corporation is to have perpetual existence.

SEVENTH: The business of the Corporation shall be managed by or under the direction of its Board of Directors. The number of directors constituting the entire board shall not be less than three and, subject to such minimum, may be increased or decreased from time to time by amendment of the Bylaws in a manner not prohibited by law. Until otherwise determined the number of directors shall be nine. As used in this Article, "entire board" means the total number of directors which the Corporation would have if there were no vacancies.

EIGHTH: In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, repeal, alter, amend and rescind the Bylaws of the Corporation by a majority vote of the entire Board of Directors.

NINTH: Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws may provide. The books of the Corporation may be kept (subject to any provision contained in applicable statutes) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws of the Corporation. Elections of directors at an annual or special meeting of stockholders need not be by written ballot unless the Bylaws of the Corporation shall so provide.

TENTH: Bylaws of the Corporation shall not be made, repealed, altered, amended or rescinded by the stockholders of the Corporation except by the vote of the holders of not less than sixty-six and two-thirds percent (66 2/3%) of the total voting power of all outstanding securities entitled to vote generally in the election of directors of the Corporation.

ELEVENTH: The Board of Directors shall be and is divided into three classes, Class I, Class II and Class III. Such classes shall be equal in number of directors. Each director

shall serve for a term ending on the date of the third annual meeting following the annual meeting at which such director was elected; provided, however, that the directors first elected to Class I shall serve for a term ending on the date of the annual meeting next following the end of fiscal year 1990, the directors first elected to Class II shall serve for a term ending on the date of the second annual meeting next following the end of fiscal year 1990 and directors first elected to Class III shall serve for a term ending on the date of the third annual meeting next following the end of fiscal calendar year 1990. The foregoing notwithstanding, each director shall serve until his successor shall have been duly elected and qualified, unless he or he shall resign, become disqualified, disabled or shall otherwise be removed.

At each annual election, the directors chosen to succeed those whose terms then expire shall be of the same class as the directors they succeed, unless by reason of any intervening changes in the authorized number of directors, the Board shall designate one or more directorships whose term then expires as directorships of another class in order more nearly to achieve equality of number of directors among the classes.

Notwithstanding the rule that the three classes shall be equal in number, in the event of any change in the authorized number of directors, each director then continuing to serve as such shall nevertheless continue as a director of the class of which he is a member until the expiration of his current term, or his prior death, resignation or removal.

TWELFTH: Subject to the rights of the holders of any series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause shall be filled by a majority vote of the directors then in office, and directors so chosen shall hold office for a term expiring at the Annual Meeting of Stockholders at which the term of the class to which they have been elected expires. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

THIRTEENTH: Subject to the rights of the holders of any series of Preferred Stock then outstanding, any director, or the entire Board of Directors, may be removed from office at any time, but only by the affirmative vote of the holders of at least sixty-six and two-thirds percent (66 2/3%) of the total voting power of all outstanding securities entitled to vote generally in the election of directors of the Corporation, voting together as a single class.

FOURTEENTH: No action may be taken by the stockholders except at an annual or special meeting of stockholders. No action may be taken by stockholders by written consent.

FIFTEENTH: At all elections of directors of the Corporation, a holder of any class or series of stock then entitled to vote in such election shall be entitled to one vote per share, and each stockholder may cast all of such votes for a single nominee for director or may distribute them among the number to be voted for, or for any two or more of them as be may see fit.

SIXTEENTH: Special meetings of the stockholders of the Corporation for any purpose or purposes may be called at any time by the Board of Directors, by a committee of the Board of Directors which has been duly designated by the Board of Directors and whose powers and authority, as provided in a resolution of the Board of Directors or in the Bylaws of the Corporation, include the power to call such meetings or by one or more stockholders holding shares that in the aggregate are entitled to cast not less than ten percent (10%) of the votes at that special meeting, but such special meetings may not be called by any other person or persons; provided, however, that if and to the extent that any special meeting of stockholders may be called by any other person or persons specified in any certificate filed under Section 151(g) of the Delaware General Corporation Law (or its successor statute as in effect from time to time hereunder), then such special meeting may also be called by the person or persons, in the manner, at the times and for the purposes so specified.

SEVENTEENTH: Notwithstanding any other vote which may be required under applicable law, and in addition thereto, the affirmative vote of holders of not less than sixty-six and two-thirds percent (66 2/3%) of the total voting power of all outstanding securities entitled to vote generally in the election of directors of the Corporation, voting together as a single class, shall be required to approve: (a) any merger, consolidation, combination or reorganization of the Corporation or any of its subsidiaries with any other corporation if such other corporation is a Substantial Stockholder (as defined below) or any Associate (as defined below) of a Substantial Stockholder, or (b) the sale, lease or exchange (other than an exchange described in clause (d) below) by the Corporation or any of its subsidiaries of all or a Substantial Part (as defined below) of its assets to or with a Substantial Stockholder or an Associate thereof, or (c) the issuance or delivery (other than in a transaction described in clause (d) below) of any stock or other securities of this Corporation or any of its subsidiaries in exchange or payment for any cash or other properties or assets of such Substantial Stockholder or Associate thereof, or (d) any reverse stock split of, or exchange of securities, cash or other properties or assets for, any outstanding securities of the Corporation or any of its subsidiaries in any such case in which a Substantial Stockholder or an Associate thereof receives or

retains any securities, cash or other properties or assets whether or not different from those received or retained by any holder of securities of the same class as held by such Substantial Stockholder or Associate thereof; provided, however, that the foregoing shall not apply to any such merger, consolidation, combination, reorganization, sale, lease or exchange, or issuance or delivery of stock or other securities, or reverse stock split, exchange, liquidation or dissolution which is approved by resolution adopted by at least a two-thirds vote of the Board of Directors of the Corporation; nor shall it apply to any such transaction solely between the Corporation and another corporation controlled by the Corporation and none of the securities of which is owned before or after such transaction directly or indirectly by a Substantial Stockholder or Associate thereof.

As used in this Certificate of Incorporation, the following terms shall have the respective meanings set forth below:

(i) "Substantial Stockholder" shall mean any person or group of two or more persons who have agreed to act together for the purpose of acquiring, holding, voting or disposing of voting securities of the Corporation who (x) singly or together with its or their Associates own or owns beneficially, in the aggregate, directly or indirectly, securities representing ten percent (10%) or more of the voting power of all outstanding securities entitled to vote generally in the election of directors of the Corporation, voting together as a single class or (y) is an assignee of or has otherwise succeeded to any voting securities of the Corporation which were at any time within the two-year period immediately prior to the date in question beneficially owned by a Substantial Stockholder or any of its Associates, provided, however, that the term "Substantial Stockholder" shall not include any benefit plan or trust established by the Corporation or any of its subsidiaries for the benefit of the employees of the Corporation and/or any of its subsidiaries or any trustee, agent or other representative of any such plan or trust;

(ii) An "Affiliate" of any specified person is any person (other than the Corporation and any corporation controlled by the Corporation and none of the voting securities of which is owned directly or indirectly by a Substantial Stockholder or any Associate thereof) who directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified;

(iii) The term "control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise;

(iv) "Substantial Part" of the assets shall mean assets of the Corporation or any of its subsidiaries comprising more than ten percent (10%) of the book value or fair market value of the total assets of the Corporation and its subsidiaries taken as a whole;

(v) An "Associate" of a Substantial Stockholder is any person who is, or was within a period of five years prior to the time of determination, an officer, director, employee, partner, trustee, agent, member of the immediate family or Affiliate of the Substantial Stockholder or of an Affiliate thereof;

(vi) The term "person" shall include a corporation, partnership, trust or government or political subdivision thereof, an individual, an estate, an association or any unincorporated organization; and

(vii) The term "member of the immediate family" shall mean any of a person's spouse, parents, children, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, and brothers- and sisters-in-law.

In the context of any transaction described in this Article SEVENTEENTH, the Board of Directors acting by majority vote shall have the exclusive power and duty to determine, on the basis of information known to them after reasonable inquiry, (i) whether a person is a Substantial Stockholder, (ii) whether a person is an Affiliate or Associate of a Substantial Stockholder and (iii) whether a portion of the assets of the Corporation constitutes a Substantial Part of such assets. Any such determination of the Directors shall be final and binding in the absence of fraud or gross negligence by such Directors.

EIGHTEENTH: Any shareholder desiring to propose a matter for a vote of the shareholders on such matter at an annual meeting shall submit such proposal to the Board of Directors not less than ninety (90) days in advance of the scheduled date of such annual meeting.

NINETEENTH: The Corporation shall not be authorized to dissolve unless such dissolution has been approved by the vote of the holders of not less than sixty-six and two-thirds percent (66 2/3%) of the total voting power of all outstanding securities

entitled to vote generally in the election of directors of the Corporation.

TWENTIETH: The provisions set forth in this Article TWENTIETH and in Article TENTH (dealing with the alteration of bylaws by stockholders), ELEVENTH (dealing with classified board), TWELFTH (dealing with newly created directorships and vacancies), THIRTEENTH (dealing with removal of directors), FOURTEENTH (dealing with stockholder action without meeting), FIFTEENTH (dealing with cumulative voting), SIXTEENTH (dealing with power to call stockholder meetings), SEVENTEENTH (dealing with sixty-six and two-thirds percent (66 2/3%) vote of stockholders required for certain mergers and other transactions), EIGHTEENTH (dealing with the submission of shareholder proposals) and NINETEENTH (dealing with dissolution of the Corporation) may not be repealed or amended in any respect unless such repeal or amendment is approved by the affirmative vote of the holders of not less than sixty-six and two-thirds percent (66 2/3%)of the total voting power of all outstanding securities entitled to vote generally in the election of directors of the corporation.

TWENTY-FIRST: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred on stockholders herein are granted subject to this reservation. Notwithstanding the foregoing, the provisions set forth in Articles TENTH, ELEVENTH, TWELFTH, THIRTEENTH, FOURTEENTH, FIFTEENTH, SIXTEENTH, SEVENTEENTH, EIGHTEENTH, NINETEENTH and TWENTIETH may not be repealed or amended in any respect unless such repeal or amendment is approved as specified in Article TWENTIETH of this Certificate of Incorporation.

TWENTY-SECOND: A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, as the same exists or hereafter may be amended, or (iv) for any transaction from which the director derived an improper personal benefit. If the Delaware General Corporation Law is hereafter amended to authorize the further elimination or limitation of the liability of directors, then the liability of a director of the Corporation, in addition to the limitation on liability provided by this Article TWENTY-SECOND, shall be limited to the fullest extend permitted by any such amended Delaware General Corporation Law. Any repeal or modification of this Article TWENTY-SECOND or any new provision of the Certificate of Incorporation inconsistent with this Article TWENTY-SECOND shall be prospective only and shall not adversely affect any limitation on the personal liability of a

director of the Corporation existing at the time of such repeal or modification or adoption of such inconsistent provision.

4. This Restated Certificate of Incorporation was duly adopted by the Board of Directors in accordance with Sections 241 and 245 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said LIMONEIRA COMPANY has caused this Certificate to be signed by John M. Dickenson, III, its President, and attested by Alfonso A. Guilin, its Secretary, this 5th day of July, 1990.

LIMONEIRA COMPANY

By John M. Dickenson, III, President

Attest:

Alfonso A. Guilin, Secretary

OCT 31 '90 09:30 CT CORP L.A.

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 01:00 PM 10/31/1990
730304020 - 2227679

CERTIFICATE OF MERGER
OF
LIMONEIRA COMPANY
AND
THE SAMUEL EDWARDS ASSOCIATES
INTO
LIMONEIRA COMPANY

The undersigned corporation

DOES HEREBY CERTIFY:

FIRST: That the name and state of incorporation of each of the constituent corporations of the merger is as follows:

NAME	STATE OF INCORPORATION
Limoneira Company	California
The Samuel Edwards Associates	California
Limoneira Company	Delaware

SECOND: That an Agreement of Merger between the parties to the merger has been approved, adopted, certified, executed and acknowledged by each of the constituent corporations in accordance with the requirements of Section 252 of the General Corporation Law of Delaware.

THIRD: That the name of the surviving corporation of the merger is Limoneira Company, a Delaware corporation.

FOURTH: That the Restated Certificate of Incorporation of Limoneira Company, a Delaware corporation which is surviving the merger, shall be the Restated Certificate of Incorporation of the surviving corporation.

FIFTH: That the executed Agreement of Merger is on file at the principal place of business of the surviving corporation, the address of which is 1141 Cummings Road, Santa Paula, California 93060.

SIXTH: That a copy of the Agreement of Merger will be furnished on request and without cost, to any stockholder of any constituent corporation.

SEVENTH: The authorized capital stock of each foreign corporation which is a party to the merger is as follows:

Corporation	Class	Number of Shares	Par Value per value of statement that shares are without par value
Limoneira Company, a California corporation	Common	25,000	- without par value
The Samuel Edwards Associates, a California corporation	Common	20,000	- par value $100.00 per share

EIGHTH: That this Certificate of Merger shall be effective on October 31, 1990.

Dated: OCTOBER 15, 1990

Limoneira Company

By: John M Dickenson
President

ATTEST:

By: Alfonso T Frid
Secretary

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 10:00 AM 12/28/1994
944257270 - 2227679

CERTIFICATE OF MERGER
OF
McKEVETT CORPORATION
INTO
LIMONEIRA COMPANY

The undersigned corporation

DOES HEREBY CERTIFY:

FIRST: That the name and state of incorporation of each of the constituent corporations of the merger is as follows:

Name	State of Incorporation
McKevett Corporation	California
Limoneira Company	Delaware

SECOND: That an Agreement of Merger between the parties to the merger has been approved, adopted, certified, executed and acknowledged by each of the constituent corporations in accordance with the requirements of Section 252 of the General Corporation Law of Delaware.

THIRD: That the name of the surviving corporation of the merger is Limoneira Company, a Delaware corporation.

FOURTH: That the Restated Certificate of Incorporation of Limoneira Company, a Delaware corporation, which is surviving the merger, shall be the Restated Certificate of Incorporation of the surviving corporation.

FIFTH: That the executed Agreement of Merger is on file at the principal place of business of the surviving corporation, the address of which is 1141 Cummings Road, Santa Paula, California 93060.

SIXTH: That a copy of the Agreement of Merger will be furnished on request and without cost, to any stockholder of any constituent corporation.

SEVENTH: The authorized capital stock of each foreign corporation which is a party to the merger is as follows:

Corporation	Class	Number of Shares	Par Value Per Value of Statement that Shares are Without Par Value
McKevett Corporation	common	15,000	without par value

EIGHTH: That this Certificate of Merger shall be effective on December 31, 1994.

Dated: December 20, 1994

LIMONEIRA COMPANY

By: John M Dickenson, President

ATTEST:

By: Alfonso A Guilin, Secretary

0382996

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 04:30 PM 05/27/1997
971172222 - 2227679

Draft dated May 20, 1997

CERTIFICATE OF DESIGNATION, PREFERENCES AND RIGHTS

of

$8.75 VOTING PREFERRED STOCK, $100.00 PAR VALUE, SERIES B

of

LIMONEIRA COMPANY

Pursuant to Section 151 of the General Corporation Law
of the State of Delaware

WE, **PIERRE Y. TADA**, President, and **LORI LE SUER**, Secretary, of **LIMONEIRA COMPANY**, a corporation organized and existing under the General Corporation Law of the State of Delaware, in accordance with the provisions of Section 103 thereof, **DO HEREBY CERTIFY**:

That pursuant to the authority conferred upon the Board of Directors by the Restated Certificate of Incorporation of the said Corporation, the said Board of Directors on May 21, 1997, adopted the following resolution creating a series of 30,000 shares of Preferred Stock designated as $8.75 Voting Preferred Stock, $100.00 Par Value, Series B:

RESOLVED, that pursuant to the authority vested in the Board of Directors of this Corporation in accordance with the provisions of its Restated Certificate of Incorporation, a series of Preferred Stock of the Corporation be and it hereby is created, and that the

designation and amount thereof and the voting powers, preferences and relative, participating, optional and other special rights of the shares of such series, and the qualifications, limitations or restrictions thereof are as follows:

Section 1. Designation and Amount. The shares of such series shall be designated as "$8.75 Non-Voting Preferred Stock, $100.00 Par Value, Series B:" ("Series B Preferred Stock"), and the number of shares constituting such series shall be 30,000.

Section 2. Par Value. The Series B Preferred Stock shall have a par value of $100.00 per share, which par value shall be subject to adjustment upon the occurrence of any of the events and in the manner provided in Section 5.(A) below.

Section 3. Dividends and Distribution. The holders of the shares of Series B Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors out of funds legally available for that purpose, cumulative cash dividends at the annual rate of 8.75% of par value, and no more, payable quarterly on the first day of January, April, July and October in each year, commencing July 1, 1997, to holders of record on such dates as may be determined by the Board of Directors in advance of the payment of each particular dividend. No dividends shall be declared on any other series or class of shares ranking on a parity with the Series B Preferred Stock as to dividends in respect of any quarterly dividend period unless there shall likewise be or have been declared on all shares of the Series B Preferred Stock at the time outstanding like dividends for all quarterly periods coinciding with or ending before such quarterly period for which dividends are or shall have been declared on such other series or class, ratably in proportion to the respective annual dividend rates fixed therefor. Dividends shall be cumulative and will accrue on each share of the Series B Preferred Stock from the first day of June, 1997, except that dividends on the shares of the Series B Preferred Stock issued after the first day of June, 1997 shall accrue from their first day of issue, or from the most recent dividend payment date in the case of shares issued after the initial dividend payment date. No interest or sum or money in lieu of interest shall be payable in respect of any dividend payment or payments which may be in arrears. Dividends payable on the Series B Preferred Stock for any period less than a full quarter shall be computed on the basis of a 360-day year.

If, in any quarterly dividend period, dividends at an annual rate of 8.75% of par value per share shall not have been declared and paid or set apart for payment on all outstanding shares of the Series B Preferred Stock for such quarterly dividend period and all preceding quarterly dividend periods from and after the first day from which dividends are cumulative, then, until the aggregate deficiency shall be declared and fully paid or set apart for payment, the

Corporation shall not (i) declare or pay or set apart for payment any dividends or make any other distributions on the Common Stock or any other capital stock of the Corporation ranking junior to the Series B Preferred Stock with respect to the payment of dividends or distribution of assets on liquidation, dissolution or winding up of the Corporation (the Common Stock and such other stock being herein referred to as "Junior Stock"), other than dividends or distributions paid in shares of Junior Stock, or (ii) make any payment on account of the purchase, redemption or other retirement of any Junior Stock.

The Series B Preferred Stock shall rank on a parity as to dividends and distributions with the $8.75 Voting Preferred Stock, $100.00 Par Value, Series A previously issued by the Corporation.

Section 4. Voting Rights. The holders of shares of Series B Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter et forth, each share of Series B Preferred Stock shall entitle the holder thereof to one vote on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time after June 1, 1997 (i) declare any dividend on the common stock, $.01 par value per share, of the Corporation (the "Common Stock") payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the number of votes per share to which holders of shares of Series B Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein or by law, the holders of shares of Series B Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) Except as set forth herein, holders of Series B Preferred Stock shall have no special voting rights, and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 5. Redemption.

(A) The Corporation, at the option of the Board of Directors, may redeem shares of the Series B Preferred Stock, as a whole or in part, at any time or from time to time on or after July 1, 2017 and before June 30, 2027, at a redemption price equal to the par value thereof, plus accrued and unpaid dividends thereon to the date fixed for redemption. In the event the Corporation shall at any time after June 1, 1997 (i) declare any dividend on Series B Preferred Stock payable in shares of Series B Preferred Stock, (ii) subdivide the outstanding Series B Preferred Stock, or (iii) combine the outstanding Series B Preferred Stock into a smaller number of shares, then in each case the par value of the Series B Preferred Stock (and the redemption price thereof) shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Series B Preferred Stock outstanding immediately after such event and the denominator of which is the number of shares of Series B Preferred Stock that were outstanding immediately before such event.

(B) In the event the Corporation shall redeem shares of the Series B Preferred Stock, written notice of such redemption shall be mailed, by first-class mail, postage prepaid, at least 90 days and not more than 120 days prior to the date fixed for such redemption, to each holder of record of the shares to be redeemed at such holder's address as the same appears on the books of the Corporation. Each notice of redemption shall state (i) the redemption date, (ii) the number of shares of the Series B Preferred Stock to be redeemed (and, in the case of the mailed notice, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder), (iii) the redemption price, (iv) the place or places where certificates for such shares are to be surrendered for payment of the redemption price, and (v) that dividends on the shares to be redeemed will cease to accrue on such redemption date. Upon surrender in accordance with said written notice of the certificates for any shares of the Series B Preferred Stock so redeemed (duly endorsed or assigned for transfer and with signatures guaranteed, in each case if the Board of Directors of the Corporation shall so require and the notice shall so state), such shares shall be redeemed by the Corporation at the aforesaid redemption price.

(C) If less than all of the outstanding shares of the Series B Preferred Stock not previously called for redemption are to be redeemed, and the Series B Preferred Stock is held by two or more shareholders of record, the shares to be redeemed shall be selected by lot or pro rata (as nearly as may be) as determined by the Board of Directors of the Corporation. In no event shall the Corporation redeem less than all the outstanding shares of the Series B Preferred Stock pursuant to Subsection (A) of this Section 4 unless full cumulative dividends

shall have been declared and paid or set apart for payment upon all outstanding shares of the Series B Preferred Stock for all past dividend periods.

(D) If, on or prior to any date fixed for redemption of shares of the Series B Preferred Stock, (i) the conditions for a valid redemption of the Series B Preferred Stock exist, (ii) written notice conforming to the provisions of Section 5(B) hereof is given to each holder of record of shares of Series B Preferred Stock to be redeemed, and (iii) the Corporation deposits with any bank or trust company having capital, surplus and undivided profits of at least $500,000,000 according to its last published statement of condition, as a trust fund, a sum sufficient to redeem, on the date fixed for redemption thereof, the shares of the Series B Preferred Stock called for redemption, with irrevocable instructions and authority to the bank or trust company to mail the notice of redemption required pursuant to Subsection (B) of this Section 5 (or to complete the publication and mailing of such notice) and to pay, on and after the date fixed for redemption or prior thereto, the redemption price of the shares of the Series B Preferred Stock called for redemption to their respective holders upon the surrender of their share certificates, then from and after the date of the deposit (although prior to the date fixed for redemption) the shares of the Series B Preferred Stock so called shall be redeemed and dividends on those shares shall cease to accrue after the date fixed for redemption. The deposit shall constitute full payment of the shares of the Series B Preferred Stock to their holders and from and after the date of the deposit the shares of the Series B Preferred Stock shall no longer be outstanding and the holders thereof shall cease to be shareholders with respect to such shares and shall have no rights with respect thereto except their right to receive from the bank or trust company payment of the redemption price of the shares of the Series B Preferred Stock without interest, upon surrender of their certificates therefor.

Section 6. Conversion.

The holders of the shares of the Series B Preferred Stock shall have the right, at their option, to convert such shares into shares of Common Stock of the Corporation at any time prior to redemption on and subject to the following terms and conditions:

(a) The shares of the Series B Preferred Stock shall be convertible at the office of the Corporation and at such other office or offices, if any, as the Board of Directors may designate, into fully paid and nonassessable shares (calculated as to each conversion to the nearest 1/100 of a share) of Common Stock of the Corporation, at the conversion price, determined as hereinafter provided, in effect at the time of conversion, each share of the Series B Preferred Stock being taken at its par value for the purpose of such conversion. The price

at which shares of Common Stock shall be delivered upon conversion (herein called the "conversion price") shall be initially $80.00 per share of Common Stock. The conversion price shall be adjusted in certain instances as provided in subsections (c), (d) and (e) below.

(b) In order to convert shares of the Series B Preferred Stock into Common Stock the holder thereof shall surrender at the office hereinabove mentioned the certificate or certificates therefor (duly endorsed or assigned to the Corporation or in blank and with signatures guaranteed, in each case if the Board of Directors shall so require), and give written notice to the Corporation at said office that such holder elects to convert such shares. Shares of the Series B Preferred Stock surrendered for conversion during the period from the close of business on any record date for the payment of a dividend on the Series B Preferred Stock to the opening of business on the date of payment of such dividend shall (except in the case of shares which have been called for redemption on a redemption date within such period) be accompanied by payment of an amount equal to the dividend payable on such dividend payment date on the shares of the Series B Preferred Stock being surrendered for conversion, plus any amounts payable pursuant to subsection (m) below. Except as provided in the preceding sentence, no payment or adjustment shall be made upon any conversion on account of any dividends accrued on the shares of the Series B Preferred Stock surrendered for conversion or on account of any dividends on the Common Stock issued upon conversion.

Shares of the Series B Preferred Stock shall be deemed to have been converted immediately prior to the close of business on the day of the surrender of such shares for conversion in accordance with the foregoing provision, and the person or person entitled to receive the Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such Common Stock at such time. As promptly as practicable on or after the conversion date, the Corporation shall issue and deliver at said office a certificate or certificates for the number of full shares of Common Stock issuable upon such conversion, together with payment in lieu of any fraction of a share, as hereinafter provided, to the person or persons entitled to receive the same. In case shares of the Series B Preferred Stock are called for redemption, the right to convert such shares shall cease and terminate at the close of business on the date fixed for redemption, unless default shall be made in payment of the redemption price.

(c) In case the Corporation shall pay or make a dividend or other distribution on any class of capital stock of the Corporation in Common Stock, the conversion price in effect on the day following the date fixed for the determination of shareholders entitled to receive such dividend or other distribution of shareholders entitled to receive such dividend or other

distribution shall be reduced by multiplying such conversion price by a fraction of which the numerator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination and the denominator shall be the sum of such number of shares and the total number of shares constituting such dividend or other distribution, such reduction to become effective immediately after the opening of business on the day following the dated fixed for such determination.

(d) In the case outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock, the conversion price in effect on the day following the day upon which such subdivision becomes effective shall be proportionately reduced, and, conversely, in case outstanding shares of Common Stock shall each be combined into a smaller number of shares of Common Stock, the conversion price in effect on the day following the day upon which such combination becomes effective shall be proportionately increased, such reduction or increase, as the case may be, to become effective on the day following the day upon which such subdivision or combination becomes effective.

(e) The Corporation may make such reductions in the conversion price, on the advice of legal counsel, in addition to those required by subsections (c) and (d) above, as it considers to be advisable in order that the number of shares of Common Stock into which the Series B Preferred Stock is convertible does not become unfairly diluted or increased as a result of changes in the Corporation's capital structure.

(f) Whenever the conversion price is adjusted as herein provided:

(i) the Corporation shall compute the adjusted conversion price in accordance with this Section (6) and shall prepare a certificate signed by the Chief Financial Officer of the Corporation setting forth the adjusted conversion price and showing in reasonable detail the facts upon which such adjustment is based. Stock; and

(ii) a notice stating that the conversion price has been adjusted and setting forth the adjusted conversion price shall forthwith be required, and as soon as practicable after it is required, such notice shall be mailed to the holders of record of the outstanding shares of the Series B preferred Stock; provided, however, that if, within 10 days after the completion of mailing such a notice, an additional notice is required, such additional notice shall be deemed to be required pursuant to this clause (ii) as of the opening of business on the tenth day after such completion of mailing and shall set forth the conversion price as adjusted at such opening of business, and, upon the completion

of mailing of such additional notice, no other notice need be given of any adjustment in the conversion price occurring at or prior to such opening of business and after the time that the next preceding notice given by mail became required.

(g) In case:

(i) the Corporation shall declare a dividend (or any other distribution) on its Common Stock payable otherwise than in cash out of the funds of the Corporation legally available there for; or

(ii) the Corporation shall authorize the granting to the holders of its Common Stock of rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any other rights; or

(iii) of any reclassification of the capital stock of the Corporation (other than a subdivision or combination of its outstanding shares of Common Stock), or of any consolidation or merger to which the Corporation is a party and for which approval of any shareholders of the Corporation is required, or of the sale or transfer of all or substantially all of the assets of the Corporation; or

(iv) of the voluntary or involuntary dissolution, liquidation or winding up of the Corporation;

then the Corporation shall cause to be mailed to the holders of record of the outstanding shares of the Series B preferred stock, at least 20 days (or 10 days in any case specified in clause (i) or (ii) above) prior to the applicable record date hereinafter specified, a notice stating (x) the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution, rights or warrants are to be determined, or (y) the date on which such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that the holders of Common Stock of record shall be entitled to exchange their shares of Common stock for securities or other property deliverable upon such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding up.

(h) The Corporation shall at all times reserve and keep available, free from preemptive rights, out of its authorized but unissued Common Stock, for the purpose of effecting the conversion of the shares of the Series B preferred Stock, the full number of shares of

Common Stock then deliverable upon the conversion of all shares of the Series B preferred Stock then outstanding.

(i) No fractional shares of Common Stock shall be issued upon conversion, but, instead the holder of Series B preferred Stock shall pay to the Corporation for that fraction of a share necessary to round up to the next higher number of whole shares of Common Stock an amount equal to the same fraction of the market price per share of Common Stock (as determined by the Board of Directors) at the close of business on the day of conversion.

(j) The Corporation will pay any and all taxes that may be payable in respect of the issue or delivery of shares of Common Stock on conversion of shares of the Series B Preferred Stock pursuant hereto. The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of shares of Common Stock in a name other than that in which the shares of the
Series B preferred Stock so converted were registered, and no such issue or delivery shall be made unless and until the person requesting 'such issue has paid to the Corporation the amount of any such tax, or has established, to the satisfaction of the Corporation, that such tax has been paid.

(k) For the purpose of this Section (6), the term "Common Stock" shall include any stock of any class of the Corporation which has no preference in respect of payment of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation and which is not subject to redemption by the Corporation. However, shares issuable on conversion of shares of the Series B preferred Stock shall include only shares of the class designated as Common Stock of the Corporation as of May 1, 1997, or shares of any class or classes resulting from any reclassification or reclassifications thereof and which have no preference in respect of payment of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation and which are not subject to redemption by the Corporation; provided that, if at any time there, shall be more than one such resulting class, the shares of each such class then so issuable shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

Section 7. Put .At any time upon written notice to the Corporation given on or after July 1, 2017 and before June 30, 2027, any holders of record of Series B Preferred Stock may, by written election, cause the Corporation to repurchase all of the outstanding shares of

Series B Preferred Stock held by such shareholder at a repurchase price equal to the par value thereof plus accrued and unpaid dividends thereon, to the date fixed for repurchase. Such repurchase date shall be fixed by the Corporation as of a date not later than 90 days following the date of the written notice from the Series B Preferred Stock shareholder electing to cause the Corporation to repurchase the Series B Preferred Stock. Notice of such repurchase shall be given by the Corporation in the same manner prescribed in Subsection (B) of Section 5 above.

Section 8. Liquidation Preference.

(A) In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, before any payment or distribution of the assets of the Corporation available for distribution to the shareholders shall be made to or set apart for the holders of the Common Stock or any other series or class of shares of the Corporation ranking junior to the Series B Preferred Stock upon liquidation, dissolution or winding up, the holders of the shares of the Series B Preferred Stock shall be entitled to receive $100.00 per share plus an amount equal to all dividends (whether or not earned or declared) accrued and unpaid thereon to the date of final distribution to such holders, but such holders shall not be entitled to any further payment. If, upon any liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of the shares of the Series B Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid and full liquidating payments on any other Preferred Stock ranking as to liquidation, dissolution or winding up on a parity with the Series B Preferred Stock, then such assets, or the proceeds thereof, shall be distributed among the holders of the Series B Preferred Stock and any such other Preferred Stock ratably in accordance with the respective amounts which would be payable upon liquidation, dissolution or winding up on such shares of the Series B Preferred Stock and any such other Preferred Stock if all amounts payable thereon were paid in full. For the purposes of this Section 6, a consolidation or merger of the Corporation with one or more corporations shall not be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary.

(B) Subject to the rights of the holders of shares of any series or class of shares ranking on a parity with or prior to the Series B Preferred Stock upon liquidation, dissolution or winding up, upon any liquidation, dissolution or winding up of the Corporation, after payment shall have been made in full to the holders of the Series B Preferred Stock as provided in this Section 6, but not prior thereto, the holders of the Common Stock or any other series or class of stock ranking junior to the Series B Preferred Stock upon liquidation shall, subject to the respective terms and provisions (if any) applying thereto, be entitled to receive any

and all assets remaining to be paid or distributed, and the Series B Preferred Stock shall not be entitled to share therein.

Section 9. Reacquired Shares. Any shares of Series B Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

Section 10. Amendment. The Restated Certificate of Incorporation of the Corporation shall not be further amended in any manner which would materially alter or change the powers, preferences or special rights of the Series B Preferred Stock so as to affect them adversely without the affirmative vote of the holders of two-thirds or more of the outstanding shares of Series B Preferred Stock, voting separately as a class.

IN WITNESS WHEREOF, we have executed and subscribed this Certificate and do affirm the foregoing as true under the penalties of perjury this 21st day of May, 1997.

Pierre Y. Tada
President

Attest:

Lori Le Suer, Secretary

4080817

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 03:30 PM 07/01/1997
971219122 - 2227679

AMENDED
CERTIFICATE OF DESIGNATION, PREFERENCES AND RIGHTS

of

$8.75 VOTING PREFERRED STOCK, $100.00 PAR VALUE, SERIES B

of

LIMONEIRA COMPANY

Pursuant to Section 151 of the General Corporation Law
of the State of Delaware

WE, **PIERRE Y. TADA**, President, and **LORI LE SUER**, Secretary, of **LIMONEIRA COMPANY**, a corporation organized and existing under the General Corporation Law of the State of Delaware, in accordance with the provisions of Section 103 thereof, **DO HEREBY CERTIFY**:

That pursuant to the authority conferred upon the Board of Directors by the Restated Certificate of Incorporation of the said Corporation, the said Board of Directors on May 21, 1997, adopted the following resolution creating a series of 30,000 shares of Preferred Stock designated as $8.75 Voting Preferred Stock, $100.00 Par Value, Series B; that as of the date of this Amended Certificate no shares of such class or series of stock have been issued.

RESOLVED, that pursuant to the authority vested in the Board of Directors of this Corporation in accordance with the provisions of its Restated Certificate of Incorporation, a series of Preferred Stock of the Corporation be and it hereby is created, and that the

designation and amount thereof and the voting powers, preferences and relative, participating, optional and other special rights of the shares of such series, and the qualifications, limitations or restrictions thereof are as follows:

Section 1. Designation and Amount. The shares of such series shall be designated as "$8.75 Voting Preferred Stock, $100.00 Par Value, Series B:" ("Series B Preferred Stock"), and the number of shares constituting such series shall be 30,000.

Section 2. Par Value. The Series B Preferred Stock shall have a par value of $100.00 per share, which par value shall be subject to adjustment upon the occurrence of any of the events and in the manner provided in Section 5.(A) below.

Section 3. Dividends and Distribution. The holders of the shares of Series B Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors out of funds legally available for that purpose, cumulative cash dividends at the annual rate of 8.75% of par value, and no more, payable quarterly on the first day of January, April, July and October in each year, commencing October 1, 1997, to holders of record on such dates as may be determined by the Board of Directors in advance of the payment of each particular dividend. No dividends shall be declared on any other series or class of shares ranking on a parity with the Series B Preferred Stock as to dividends in respect of any quarterly dividend period unless there shall likewise be or have been declared on all shares of the Series B Preferred Stock at the time outstanding like dividends for all quarterly periods coinciding with or ending before such quarterly period for which dividends are or shall have been declared on such other series or class, ratably in proportion to the respective annual dividend rates fixed therefor. Dividends shall be cumulative and will accrue on each share of the Series B Preferred Stock from the first day of June, 1997, except that dividends on the shares of the Series B Preferred Stock issued after the first day of June, 1997 shall accrue from their first day of issue, or from the most recent dividend payment date in the case of shares issued after the initial dividend payment date. No interest or sum or money in lieu of interest shall be payable in respect of any dividend payment or payments which may be in arrears. Dividends payable on the Series B Preferred Stock for any period less than a full quarter shall be computed on the basis of a 360-day year.

If, in any quarterly dividend period, dividends at an annual rate of 8.75% of par value per share shall not have been declared and paid or set apart for payment on all outstanding shares of the Series B Preferred Stock for such quarterly dividend period and all preceding quarterly dividend periods from and after the first day from which dividends are cumulative, then, until the aggregate deficiency shall be declared and fully paid or set apart for payment,

the Corporation shall not (i) declare or pay or set apart for payment any dividends or make any other distributions on the Common Stock or any other capital stock of the Corporation ranking junior to the Series B Preferred Stock with respect to the payment of dividends or distribution of assets on liquidation, dissolution or winding up of the Corporation (the Common Stock and such other stock being herein referred to as "Junior Stock"), other than dividends or distributions paid in shares of Junior Stock, or (ii) make any payment on account of the purchase, redemption or other retirement of any Junior Stock.

The Series B Preferred Stock shall rank on a parity as to dividends and distributions with the $8.75 Voting Preferred Stock, $100.00 Par Value, Series A previously issued by the Corporation.

Section 4. Voting Rights. The holders of shares of Series B Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series B Preferred Stock shall entitle the holder thereof to one vote on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time after June 1, 1997 (i) declare any dividend on the common stock, $.01 par value per share, of the Corporation (the "Common Stock") payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the number of votes per share to which holders of shares of Series B Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein or by law, the holders of shares of Series B Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) Except as set forth herein, holders of Series B Preferred Stock shall have no special voting rights, and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 5. Redemption.

(A) The Corporation, at the option of the Board of Directors, may redeem shares of the Series B Preferred 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. In the event the Corporation shall at any time after June 1, 1997 (i) declare any dividend on Series B Preferred Stock payable in shares of Series B Preferred Stock, (ii) subdivide the outstanding Series B Preferred Stock, or (iii) combine the outstanding Series B Preferred Stock into a smaller number of shares, then in each case the par value of the Series B Preferred Stock (and the redemption price thereof) shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Series B Preferred Stock outstanding immediately after such event and the denominator of which is the number of shares of Series B Preferred Stock that were outstanding immediately before such event.

(B) In the event the Corporation shall redeem shares of the Series B Preferred Stock, written notice of such redemption shall be mailed, by first-class mail, postage prepaid, at least 90 days and not more than 120 days prior to the date fixed for such redemption, to each holder of record of the shares to be redeemed at such holder's address as the same appears on the books of the Corporation. Each notice of redemption shall state (i) the redemption date, (ii) the number of shares of the Series B Preferred Stock to be redeemed (and, in the case of the mailed notice, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder), (iii) the redemption price, (iv) the place or places where certificates for such shares are to be surrendered for payment of the redemption price, and (v) that dividends on the shares to be redeemed will cease to accrue on such redemption date. Upon surrender in accordance with said written notice of the certificates for any shares of the Series B Preferred Stock so redeemed (duly endorsed or assigned for transfer and with signatures guaranteed, in each case if the Board of Directors of the Corporation shall so require and the notice shall so state), such shares shall be redeemed by the Corporation at the aforesaid redemption price.

(C) If less than all of the outstanding shares of the Series B Preferred Stock not previously called for redemption are to be redeemed, and the Series B Preferred Stock is held by two or more shareholders of record, the shares to be redeemed shall be selected by lot or pro rata (as nearly as may be) as determined by the Board of Directors of the Corporation. In no event shall the Corporation redeem less than all the outstanding shares of the Series B Preferred Stock pursuant to Subsection (A) of this Section 4 unless full cumulative

dividends shall have been declared and paid or set apart for payment upon all outstanding shares of the Series B Preferred Stock for all past dividend periods.

(D) If, on or prior to any date fixed for redemption of shares of the Series B Preferred Stock, (i) the conditions for a valid redemption of the Series B Preferred Stock exist, (ii) written notice conforming to the provisions of Section 5(B) hereof is given to each holder of record of shares of Series B Preferred Stock to be redeemed, and (iii) the Corporation deposits with any bank or trust company having capital, surplus and undivided profits of at least $500,000,000 according to its last published statement of condition, as a trust fund, a sum sufficient to redeem, on the date fixed for redemption thereof, the shares of the Series B Preferred Stock called for redemption, with irrevocable instructions and authority to the bank or trust company to mail the notice of redemption required pursuant to Subsection (B) of this Section 5 (or to complete the publication and mailing of such notice) and to pay, on and after the date fixed for redemption or prior thereto, the redemption price of the shares of the Series B Preferred Stock called for redemption to their respective holders upon the surrender of their share certificates, then from and after the date of the deposit (although prior to the date fixed for redemption) the shares of the Series B Preferred Stock so called shall be redeemed and dividends on those shares shall cease to accrue after the date fixed for redemption. The deposit shall constitute full payment of the shares of the Series B Preferred Stock to their holders and from and after the date of the deposit the shares of the Series B Preferred Stock shall no longer be outstanding and the holders thereof shall cease to be shareholders with respect to such shares and shall have no rights with respect thereto except their right to receive from the bank or trust company payment of the redemption price of the shares of the Series B Preferred Stock without interest, upon surrender of their certificates therefor.

Section 6. Conversion.

The holders of the shares of the Series B Preferred Stock shall have the right, at their option, to convert such shares into shares of Common Stock of the Corporation at any time prior to redemption on and subject to the following terms and conditions:

(a) The shares of the Series B Preferred Stock shall be convertible at the office of the Corporation and at such other office or offices, if any, as the Board of Directors may designate, into fully paid and nonassessable shares (calculated as to each conversion to the nearest 1/100 of a share) of Common Stock of the Corporation, at the conversion price, determined as hereinafter provided, in effect at the time of conversion, each share of the Series B Preferred Stock being taken at its par value for the purpose of such conversion. The price

at which shares of Common Stock shall be delivered upon conversion (herein called the "conversion price") shall be initially $80.00 per share of Common Stock. The conversion price shall be adjusted in certain instances as provided in subsections (c), (d) and (e) below.

(b) In order to convert shares of the Series B Preferred Stock into Common Stock the holder thereof shall surrender at the office hereinabove mentioned the certificate or certificates therefor (duly endorsed or assigned to the Corporation or in blank and with signatures guaranteed, in each case if the Board of Directors shall so require), and give written notice to the Corporation at said office that such holder elects to convert such shares. Shares of the Series B Preferred Stock surrendered for conversion during the period from the close of business on any record date for the payment of a dividend on the Series B Preferred Stock to the opening of business on the date of payment of such dividend shall (except in the case of shares which have been called for redemption on a redemption date within such period) be accompanied by payment of an amount equal to the dividend payable on such dividend payment date on the shares of the Series B Preferred Stock being surrendered for conversion, plus any amounts payable pursuant to subsection (m) below. Except as provided in the preceding sentence, no payment or adjustment shall be made upon any conversion on account of any dividends accrued on the shares of the Series B Preferred Stock surrendered for conversion or on account of any dividends on the Common Stock issued upon conversion.

Shares of the Series B Preferred Stock shall be deemed to have been converted immediately prior to the close of business on the day of the surrender of such shares for conversion in accordance with the foregoing provision, and the person or person entitled to receive the Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such Common Stock at such time. As promptly as practicable on or after the conversion date, the Corporation shall issue and deliver at said office a certificate or certificates for the number of full shares of Common Stock issuable upon such conversion, together with payment in lieu of any fraction of a share, as hereinafter provided, to the person or persons entitled to receive the same. In case shares of the Series B Preferred Stock are called for redemption, the right to convert such shares shall cease and terminate at the close of business on the date fixed for redemption, unless default shall be made in payment of the redemption price.

(c) In case the Corporation shall pay or make a dividend or other distribution on any class of capital stock of the Corporation in Common Stock, the conversion price in effect on the day following the date fixed for the determination of shareholders entitled to receive such dividend or other distribution of shareholders entitled to receive such dividend or other

distribution shall be reduced by multiplying such conversion price by a fraction of which the numerator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination and the denominator shall be the sum of such number of shares and the total number of shares constituting such dividend or other distribution, such reduction to become effective immediately after the opening of business on the day following the dated fixed for such determination.

(d) In the case outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock, the conversion price in effect on the day following the day upon which such subdivision becomes effective shall be proportionately reduced, and, conversely, in case outstanding shares of Common Stock shall each be combined into a smaller number of shares of Common Stock, the conversion price in effect on the day following the day upon which such combination becomes effective shall be proportionately increased, such reduction or increase, as the case may be, to become effective on the day following the day upon which such subdivision or combination becomes effective.

(e) The Corporation may make such reductions in the conversion price, on the advice of legal counsel, in addition to those required by subsections (c) and (d) above, as it considers to be advisable in order that the number of shares of Common Stock into which the Series B Preferred Stock is convertible does not become unfairly diluted or increased as a result of changes in the Corporation's capital structure.

(f) Whenever the conversion price is adjusted as herein provided:

(i) the Corporation shall compute the adjusted conversion price in accordance with this Section (6) and shall prepare a certificate signed by the Chief Financial Officer of the Corporation setting forth the adjusted conversion price and showing in reasonable detail the facts upon which such adjustment is based. Stock; and

(ii) a notice stating that the conversion price has been adjusted and setting forth the adjusted conversion price shall forthwith be required, and as soon as practicable after it is required, such notice shall be mailed to the holders of record of the outstanding shares of the Series B preferred Stock; provided, however, that if, within 10 days after the completion of mailing such a notice, an additional notice is required, such additional notice shall be deemed to be required pursuant to this clause (ii) as of the opening of business on the tenth day after such completion of mailing and shall set forth the conversion price as adjusted at such opening of business, and, upon the completion

of mailing of such additional notice, no other notice need be given of any adjustment in the conversion price occurring at or prior to such opening of business and after the time that the next preceding notice given by mail became required.

(g) In case:

(i) the Corporation shall declare a dividend (or any other distribution) on its Common Stock payable otherwise than in cash out of the funds of the Corporation legally available there for; or

(ii) the Corporation shall authorize the granting to the holders of its Common Stock of rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any other rights; or

(iii) of any reclassification of the capital stock of the Corporation (other than a subdivision or combination of its outstanding shares of Common Stock), or of any consolidation or merger to which the Corporation is a party and for which approval of any shareholders of the Corporation is required, or of the sale or transfer of all or substantially all of the assets of the Corporation; or

(iv) of the voluntary or involuntary dissolution, liquidation or winding up of the Corporation;

then the Corporation shall cause to be mailed to the holders of record of the outstanding shares of the Series B preferred stock, at least 20 days (or 10 days in any case specified in clause (i) or (ii) above) prior to the applicable record date hereinafter specified, a notice stating (x) the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution, rights or warrants are to be determined, or (y) the date on which such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that the holders of Common Stock of record shall be entitled to exchange their shares of Common stock for securities or other property deliverable upon such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding up.

(h) The Corporation shall at all times reserve and keep available, free from preemptive rights, out of its authorized but unissued Common Stock, for the purpose of effecting the conversion of the shares of the Series B preferred Stock, the full number of shares

of Common Stock then deliverable upon the conversion of all shares of the Series B preferred Stock then outstanding.

(i) No fractional shares of Common Stock shall be issued upon conversion, but, instead the holder of Series B preferred Stock shall pay to the Corporation for that fraction of a share necessary to round up to the next higher number of whole shares of Common Stock an amount equal to the same fraction of the market price per share of Common Stock (as determined by the Board of Directors) at the close of business on the day of conversion.

(j) The Corporation will pay any and all taxes that may be payable in respect of the issue or delivery of shares of Common Stock on conversion of shares of the Series B Preferred Stock pursuant hereto. The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of shares of Common Stock in a name other than that in which the shares of the Series B preferred Stock so converted were registered, and no such issue or delivery shall be made unless and until the person requesting 'such issue has paid to the Corporation the amount of any such tax, or has established, to the satisfaction of the Corporation, that such tax has been paid.

(k) For the purpose of this Section (6), the term "Common Stock" shall include any stock of any class of the Corporation which has no preference in respect of payment of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation and which is not subject to redemption by the Corporation. However, shares issuable on conversion of shares of the Series B preferred Stock shall include only shares of the class designated as Common Stock of the Corporation as of May 1, 1997, or shares of any class or classes resulting from any reclassification or reclassifications thereof and which have no preference in respect of payment of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation and which are not subject to redemption by the Corporation; provided that, if at any time there, shall be more than one such resulting class, the shares of each such class then so issuable shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

Section 7. Put. At any time upon written notice to the Corporation given on or after July 1, 2017 and before June 30, 2027, any holders of record of Series B Preferred Stock may, by written election, cause the Corporation to repurchase all of the outstanding shares of

Series B Preferred Stock held by such shareholder at a repurchase price equal to the par value thereof plus accrued and unpaid dividends thereon, to the date fixed for repurchase. Such repurchase date shall be fixed by the Corporation as of a date not later than 90 days following the date of the written notice from the Series B Preferred Stock shareholder electing to cause the Corporation to repurchase the Series B Preferred Stock. Notice of such repurchase shall be given by the Corporation in the same manner prescribed in Subsection (B) of Section 5 above.

Section 6. Liquidation Preference.

(A) In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, before any payment or distribution of the assets of the Corporation available for distribution to the shareholders shall be made to or set apart for the holders of the Common Stock or any other series or class of shares of the Corporation ranking junior to the Series B Preferred Stock upon liquidation, dissolution or winding up, the holders of the shares of the Series B Preferred Stock shall be entitled to receive $100.00 per share plus an amount equal to all dividends (whether or not earned or declared) accrued and unpaid thereon to the date of final distribution to such holders, but such holders shall not be entitled to any further payment. If, upon any liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of the shares of the Series B Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid and full liquidating payments on any other Preferred Stock ranking as to liquidation, dissolution or winding up on a parity with the Series B Preferred Stock, then such assets, or the proceeds thereof, shall be distributed among the holders of the Series B Preferred Stock and any such other Preferred Stock ratably in accordance with the respective amounts which would be payable upon liquidation, dissolution or winding up on such shares of the Series B Preferred Stock and any such other Preferred Stock if all amounts payable thereon were paid in full. For the purposes of this Section 6, a consolidation or merger of the Corporation with one or more corporations shall not be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary.

(B) Subject to the rights of the holders of shares of any series or class of shares ranking on a parity with or prior to the Series B Preferred Stock upon liquidation, dissolution or winding up, upon any liquidation, dissolution or winding up of the Corporation, after payment shall have been made in full to the holders of the Series B Preferred Stock as provided in this Section 6, but not prior thereto, the holders of the Common Stock or any other series or class of stock ranking junior to the Series B Preferred Stock upon liquidation shall, subject to the respective terms and provisions (if any) applying thereto, be entitled to receive

any and all assets remaining to be paid or distributed, and the Series B Preferred Stock shall not be entitled to share therein.

Section 9. Reacquired Shares. Any shares of Series B Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

Section 10. Amendment. The Restated Certificate of Incorporation of the Corporation shall not be further amended in any manner which would materially alter or change the powers, preferences or special rights of the Series B Preferred Stock so as to affect them adversely without the affirmative vote of the holders of two-thirds or more of the outstanding shares of Series B Preferred Stock, voting separately as a class.

IN WITNESS WHEREOF, we have executed and subscribed this Certificate and do affirm the foregoing as true under the penalties of perjury this 21st day of May, 1997.

Pierre A. Tade
President

Attest:

Lori Le Sueur, Secretary

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 04:00 PM 07/01/1997
971222306 - 2227679

AGREEMENT OF MERGER
BETWEEN
RONALD MICHAELIS RANCHES, INC.
AND
LIMONEIRA COMPANY

AGREEMENT OF MERGER dated this 24th day of June, 1997, by and between **RONALD MICHAELIS RANCHES, INC.**, a California corporation, herein called the merging corporation, and **LIMONEIRA COMPANY**, a Delaware corporation herein called the surviving corporation.

WITNESSETH that:

WHEREAS, the parties to this Agreement, in consideration of the mutual agreements of each corporation as set forth hereinafter, deem it advisable and generally for the welfare of said corporations, that the merging corporation merge with and into the surviving corporation under and pursuant to the terms and conditions hereinafter set forth;

NOW, THEREFORE, the corporations, parties to this Agreement, by and between their respective board of directors, in consideration of the mutual covenants, agreements and provisions hereinafter contained do hereby agree upon and prescribe the terms and conditions of said merger, the mode of carrying them into effect and the manner and basis of converting the shares of the constituent corporations into the shares of the surviving corporation, as follows:

FIRST: The merging corporation shall be merged into the surviving corporation.

SECOND: The Restated Certificate of Incorporation and Bylaws of Limoneira Company, a Delaware Corporation, which is surviving the merger, shall be the Restated Certificate of Incorporation and Bylaws of the surviving corporation.

THIRD: The terms and conditions of the merger are as follows:

The directors and officers of the surviving corporation will not be affected by reason of this merger, except that Ronald Michaelis shall be appointed as a director of the surviving corporation upon the merger becoming effective.

Upon the merger becoming effective, the separate existence of the merging corporation shall cease and all the property, rights, privileges, franchises, patents, trademarks, licenses, registrations and other assets of every kind and description of the merged corporation shall be transferred to, vested in and devolve upon the surviving corporation without further act or deed and all property, rights, and every other interest of the surviving corporation and the merged corporation, shall be as effectively the property of the surviving corporation as they were of the surviving corporation and the merged corporation respectively. The merged corporation hereby agrees, from time to time, as and when requested by the surviving corporation or by its successors or assigns, to execute and deliver or cause to be executed and delivered all such deeds and instruments and to take or cause to be taken such further or other action as the surviving corporation may deem necessary or desirable in order to vest in and confirm to the surviving corporation title to and possession of any property of the merged corporation acquired or to be acquired by reason of or as a result of the merger herein provided for and otherwise to carry out the intent and purposes hereof and the proper officers and directors of the merged corporation and the proper officers and directors of the surviving corporation are fully authorized in the name of the merged corporation or otherwise to take any and all such action.

All rights of creditors and all liens upon the property of either of said corporations shall be preserved unimpaired, and all debts, liabilities and duties of the merged corporation shall thenceforth attach to the surviving corporation and may be enforced against it to the same extent as is said debts, liabilities and duties had been incurred or contracted by it.

FOURTH: As a result of the merger and without any action on the part of the holder thereof, all shares of common stock of RONALD MICHAELIS RANCHES, INC. issued and outstanding on the effective date of this merger shall cease to be outstanding and shall be cancelled and retired and shall cease to exist, and each holder of a certificate representing any such shares of common stock of RONALD MICHAELIS RANCHES, INC. shall thereafter cease to have any rights with respect to such shares of common stock, except the right to receive, without interest 1.735998 validly issued, fully paid and nonassessable shares

of common stock of LIMONEIRA COMPANY, for each share of outstanding common stock of RONALD MICHAELIS RANCHES, INC. (An aggregate of 11,250 shares of common stock of LIMONEIRA COMPANY will be held in escrow pursuant to Article X of the Agreement and Plan of Reorganization, dated June 24, 1997, between RONALD MICHAELIS RANCHES, INC. and LIMONEIRA COMPANY and the exchange ratio will be adjusted to reflect the results of a post-closing review of the net asset value of RONALD MICHAELIS RANCHES, INC. as of the effective date.

FIFTH: As soon as practicable after the effective date of the merger:

(a) Each holder of a certificate or certificates representing shares of common stock of RONALD MICHAELIS RANCHES, INC. issued and outstanding at the effective date of the merger shall surrender such certificate or certificates, duly endorsed, to the surviving corporation, and shall receive in exchange therefor the shares of common stock of surviving corporation to which such holder is entitled.

(b) If any holder of RONALD MICHAELIS RANCHES, INC. common stock shall have filed with merging corporation a written demand for the appraisal of his shares as provided in California Corporations Code Section 1301, such person shall not be entitled to surrender his certificate or certificates representing such shares or to receive in exchange therefor shares of common stock of surviving corporation. Merging corporation shall give surviving corporation prompt notice of any such demand received by merging corporation (any stockholder making a demand being hereinafter called a "Dissenting Stockholder"), and surviving corporation shall have the right to participate in all negotiations and proceedings with respect to such demand. Merging corporation agrees that it will not, except with the prior written consent of surviving corporation, make any payment with respect to, or settle or offer to settle, any demand for payment.

Each Dissenting Stockholder who becomes entitled, pursuant to the provisions of California Corporations Code §§ 1300-1312, to payment of the value of his shares shall receive payment therefor from the merging corporation (but only after the value thereof shall have been agreed upon or finally determined pursuant to such provisions). In the event that any Dissenting Stockholder shall have failed to perfect, or shall have effectively lost, his right to appraisal of

and payment for his shares, surviving corporation shall issue and deliver, upon surrender by such Dissenting Stockholder of his certificate or certificates representing shares of merging corporation capital stock, the shares of surviving corporation common stock to which Dissenting Stockholder is entitled hereunder.

SIXTH: At any time prior to the effective date of the merger, this Merger Agreement may be abandoned by mutual agreement of surviving corporation and merging corporation. This Merger Agreement may also be abandoned within such time (i) by surviving corporation pursuant to the provisions of Article V of the Reorganization Agreement; (ii) by merging corporation pursuant to the provisions of Article VI of the Reorganization Agreement; and (iii) by surviving corporation if there are any dissenting shareholders of merging corporation holding dissenting shares of merging corporation. In the event of such abandonment of this Merger Agreement, such Merger Agreement shall become wholly void and of no force or effect whatsoever, and there shall be no liability on the part of any party hereto or their respective officers, agents, directors or shareholders.

SEVENTH: This merger shall be effective upon filing.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement of Merger to be executed by their respective officers thereunto duly authorized on this 09 day of June, 1997.

RONALD MICHAELIS RANCHES, INC.

By: Ronald L. Michaelis

By: Dorothy J. Michaelis

LIMONEIRA COMPANY

By: Pierre Y. Tada, President

By: Lori Le Suer, Secretary

OFFICERS' CERTIFICATE

OF

LIMONEIRA COMPANY

* * * * * * *

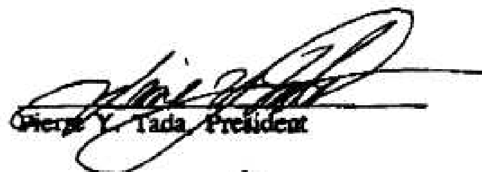
We, PIERRE Y. TADA, the President and LORI LE SUER, the Secretary, of LIMONEIRA COMPANY, a general business corporation duly organized and existing under the laws of the State of Delaware do hereby certify:

1. That we are the President and the Secretary, respectively, of LIMONEIRA COMPANY, a Delaware corporation.

2. That the Agreement of Merger in the form attached has been approved, adopted, certified and executed by Limoneira Company in accordance with the requirements of Section 252 of the General Corporation Law of Delaware, and that pursuant to the authority granted by Title 8, Section 251 (f) of the Delaware General Corporation Law, no shareholder vote was required.

Each of the undersigned declares under penalty of perjury that the statements contained in the foregoing certificate are true of their own knowledge.

EXECUTED at Santa Paula, California, on this 24 day of June, 1997.

By: 
Pierre Y. Tada, President

By:
Lori Le Suer, Secretary

4080853

State of Delaware
Secretary of State
Division of Corporations
Delivered 08:30 AM 05/06/2003
FILED 08:30 AM 05/06/2003
SRV 030293484 - 2227679 FILE

STATE *OF* DELAWARE
CERTIFICATE *OF* AMENDMENT *OF*
CERTIFICATE *OF* INCORPORATION *OF*
LIMONEIRA COMPANY

- **First:** That as a meeting of the Board of Directors of Limoneira Company resolutions were duly adopted setting forth a proposed amendment of the Certificate of Incorporation of said corporation, declaring said amendment to be advisable and calling a meeting of the stockholders of said corporation for consideration thereof.
The resolution setting forth the proposed amendment is as follows:
Resolved, that the Certificate of Incorporation of this corporation be amended by changing the Article thereof numbered "Fourth (a)" so that, as amended, said Article shall be and read as follows:
"FOURTH: (a) The total number of shares of stock which the corporation shall have authority to issue is Three Million One Hundred Thousand (3,100,000), of which stock Three Million (3,000,000) shares of the par value of One Cent ($0.01) each amounting in the aggregate to Thirty Thousand Dollars ($30,000), shall be Common Stock, and of which One Hundred Thousand (100,000) shares of par value of One Cent ($0.01) each, amounting in the aggregate to One Thousand Dollars ($1,000), shall be Preferred Stock."
- **Second:** That thereafter, pursuant to resolution of its Board of Directors, the annual meeting of the stockholders of said corporation was duly called and held, upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware at which meeting the necessary number of shares as required by statute were voted in favor of the amendment.
- **Third:** That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.
- **Fourth:** That the capital of said corporation shall not be reduced under or by reason of said amendment.

In Witness Whereof, said Limoneira Company has caused this certificate to be signed by Samuel ~~D~~ R. Edwards, an Authorized Officer, this 22nd day of April, A.D. 2003.
SE

By: Samuel Edwards
(Authorized Officer)

Name: Samuel ~~D~~ R. Edwards
(Typed or Printed)

State of Delaware
Secretary of State
Division of Corporations
Delivered 02:57 PM 11/30/2006
FILED 02:57 PM 11/30/2006
SRV 061095228 - 2227679 FILE

CERTIFICATE OF DESIGNATION, PREFERENCES AND RIGHTS OF SERIES A JUNIOR PARTICIPATING PREFERRED STOCK, $.01 PAR VALUE, OF LIMONEIRA COMPANY

Pursuant to Section 151 of the General Corporation Law of the State of Delaware

WE, HAROLD S. EDWARDS, President, and DON P. DELMATOFF, Secretary of LIMONEIRA COMPANY, a corporation organized and existing under the General Corporation Law of the State of Delaware, in accordance with the previous of Section 103 thereof, DO HEREBY CERTIFY:

That pursuant to the authority conferred upon the Board of Directors by the Restated Certificate of Incorporation of the said Corporation, the said Board of Directors on October 31, 2006, adopted the following resolution creating a series of 20,000 shares of Preferred Stock designated as Series A Junior Participating Preferred Stock, $.01 Par Value.

RESOLVED, that pursuant to the authority vested in the Board of Directors of this Corporation in accordance with the provisions of its Restated Certificate of Incorporation, a series of Preferred Stock of the Corporation be and it hereby is created, and that the designation and amount thereof and the voting powers, preferences and relative, participating, optional and other special rights of the shares of such series, and the qualifications, limitations or restrictive thereof are as follows:

SERIES A JUNIOR PARTICIPATING PREFERRED STOCK

Section 1. Designation and Amount. The shares of such series shall be classified and designated as "Series A Junior Participating Preferred Stock $.01 Par Value" and the number of shares constituting such series shall be 20,000.

Section 2. Dividends and Distributions.

(A) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock ranking prior and superior to the shares of Series A Junior Participating Preferred Stock with respect to dividends, the holders of shares of Series A Junior Participating Preferred Stock shall be entitled to receive, when, as and if authorized and declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on or before the fifteenth (15th) day of January, April, July and October in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Junior Participating Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) $1.00 or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock, par value $0.01 per share, of the Corporation (the "Common Stock") since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Junior Participating Preferred Stock. In the event the Corporation shall at any time after December 1, 2006 (the "Rights Declaration Date") (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Series A Junior Participating Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation may not declare or pay a dividend or distribution on the Common Stock (other than a dividend payable in shares of the Common Stock) unless it simultaneously declares and pays a dividend or distribution on the Series A Junior Participating Preferred Stock as provided in Paragraph (A) above; provided that, in the event no dividend payable in shares of or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $1 per share on the Series A Junior Participating Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Junior Participating Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Junior Participating Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Junior Participating Preferred Stock entitled to receive a quarterly dividend and before

such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Junior Participating Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Junior Participating Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 30 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series A Junior Participating Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Junior Participating Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the holders of Common Stock of the Corporation. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the number of votes per share to which holders of shares of Series A Junior Participating Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein or by law, the holders of shares of Series A Junior Participating Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) (i) If at any time dividends on any Series A Junior Participating Preferred Stock shall be in arrears in an amount equal to six (6) quarterly dividends thereon, the occurrence of such contingency shall mark the beginning of a period (herein called a "default period") which shall extend until such time when all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all shares of Series A Junior Participating Preferred Stock then outstanding shall have been declared and paid or set apart for payment. During each default period, all holders of Preferred Stock (including holders of the Series A Junior Participating Preferred Stock) with dividends in arrears in an amount equal to six (6) quarterly dividends thereon, voting as a class, irrespective of series, shall have the right to elect two (2) directors.

(ii) During any default period, such voting right of the holders of Series A Junior Participating Preferred Stock may be exercised initially at a special meeting called pursuant to subparagraph (iii) of this Section 3(C) or at any annual meeting of stockholders, and thereafter at annual meetings of stockholders, provided that neither such voting right nor the right of the holders of any other series of Preferred Stock, if any, to increase in certain cases the authorized number of directors shall be exercised unless the holders of ten percent (10%) in number of shares of Series A Junior Participating Preferred Stock outstanding shall be present in person or by proxy. The absence of a quorum of the holders of Common Stock shall not affect the exercise by the holders of Series A Junior Participating Preferred Stock of such voting right. At any meeting at which the holders of Series A Junior Participating Preferred Stock shall exercise such voting right initially during an existing default period, they shall have the right, voting as a class, to elect directors to fill such vacancies, if any, in the Board of Directors as may then exist up to two (2) directors or, if such right is exercised at an annual meeting, to elect two (2) directors. If the number which may be so elected at any special meeting does not amount to the required number, the holders of the Series A Junior Participating Preferred Stock shall have the right to make such increase in the number of directors as shall be necessary to permit the election by them of the required number. After the holders of the Series A Junior Participating Preferred Stock shall have exercised their

right to elect directors in any default period and during the continuance of such period, the number of directors shall not be increased or decreased except by vote of the holders of Series A Junior Participating Preferred Stock as herein provided or pursuant to the rights of any equity securities ranking senior to or pari passu with the Series A Junior Participating Preferred Stock.

(iii) Unless the holders of Series A Junior Participating Preferred Stock shall, during an existing default period, have previously exercised their right to elect directors, the Board of Directors may authorize, or any stockholder or stockholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Series A Junior Participating Preferred Stock outstanding, may request, the calling of a special meeting of the holders of Series A Junior Participating Preferred Stock, which meeting shall thereupon be called by the President, a Vice-President or the Secretary of the Corporation. Notice of such meeting and of any annual meeting at which holders of Series A Junior Participating Preferred Stock are entitled to vote pursuant to this Paragraph (C) (iii) shall be given to each holder of record of Series A Junior Participating Preferred Stock by mailing a copy of such notice to such holder at its last address as the same appears on the books of the Corporation. Such meeting shall be called for a time not earlier than 20 days and not later than 60 days after such order or request or in default of the calling of such meeting within 60 days after such authorization or request, such meeting may be called on similar notice by any stockholder or stockholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Series A Junior Participating Preferred Stock outstanding. Notwithstanding the provisions of this Paragraph (C) (iii), no such special meeting shall be called during the period within 60 days immediately preceding the date fixed for the next annual meeting of the stockholders.

(iv) In any default period, the holders of Common Stock, and other classes of stock of the Corporation if applicable, shall continue to be entitled to elect the whole number of directors until the holders of Series A Junior Participating Preferred Stock shall have exercised their right to elect two (2) directors voting as a class, after the exercise of which right (x) the directors so elected by the holders of Series A Junior Participating Preferred Stock shall continue in office until their successors shall have been elected by such holders or until the expiration of the default period, and (y) any vacancy in the Board of Directors may (except as provided in Paragraph (C) (ii) of this Section 3) be filled by vote of a majority of the remaining directors theretofore elected by the holders of the class of stock which elected the director whose office shall have become vacant. References in this Paragraph (C) to directors elected by the holders of a particular class of stock shall include directors elected by such directors to fill vacancies as provided in clause (y) of the foregoing sentence.

(v) Immediately upon the expiration of a default period, (x) the right of the holders of Series A Junior Participating Preferred Stock as a class to elect directors shall cease, (y) the term of any directors elected by the holders of Series A Junior Participating Preferred Stock as a class shall terminate, and (z) the number of directors shall be such number as may be provided for in the charter or Bylaws irrespective of any increase made pursuant to the provisions of Paragraph (C) (ii) of this Section 3 (such number being subject, however, to change thereafter in any manner provided by law or in the charter or Bylaws) Any vacancies in the Board of Directors effected by the provisions of clauses (y) and (z) in the preceding sentence may be filled by a majority of the remaining directors.

(D) Except as set forth herein, holders of Series A Junior Participating Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Junior Participating Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Junior Participating Preferred Stock outstanding shall have been paid in full, the Corporation shall not

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Junior Participating Preferred Stock, except dividends paid ratably on the Series A Junior Participating Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Junior Participating Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Junior Participating Preferred Stock; or

(iv) purchase or otherwise acquire for consideration any shares of Series A Junior Participating Preferred Stock, or any shares of stock ranking on a parity with the Series A Junior Participating Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under Paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series A Junior Participating Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

Section 6. Liquidation, Dissolution or Winding Up.

(A) Upon any liquidation (voluntary or otherwise) , dissolution or winding up of the Corporation, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred

Stock unless, prior thereto, the holders of shares of Series A Junior Participating Preferred Stock shall have received an amount equal to $100 per share of Series A Junior Participating Preferred Stock, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment (the "Series A Liquidation Preference"). Following the payment of the full amount of the Series A Liquidation Preference, no additional distributions shall be made to the holders of shares of Series A Junior Participating Preferred Stock unless, prior thereto, the holders of shares of Common Stock shall have received an amount per share (the "Common Adjustment") equal to the quotient obtained by dividing (i) the Series A Liquidation Preference by (ii) 100 (as appropriately adjusted as set forth in subparagraph (C) below to reflect such events as stock splits, stock dividends and recapitalizations with respect to the Common Stock) (such number in clause (ii), the "Adjustment Number"). Following the payment of the full amount of the Series A Liquidation Preference and the Common Adjustment in respect of all outstanding shares of Series A Junior Participating Preferred Stock and Common Stock, respectively, holders of Series A Junior Participating Preferred Stock and holders of shares of Common Stock shall receive their ratable and proportionate share of the remaining assets to be distributed in the ratio of the Adjustment Number to 1 with respect to such Preferred Stock and Common Stock, on a per share basis, respectively.

(B) In the event, however, that there are not sufficient assets available to permit payment in full of the Series A Liquidation Preference and the liquidation preferences of all other series of preferred stock, if any, which rank on a parity with the Series A Junior Participating Preferred Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences. In the event, however, that there are not sufficient assets available to permit payment in full of the Common Adjustment, then such remaining assets shall be distributed ratably to the holders of Common Stock.

(C) In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(D) In determining whether a distribution (other than upon voluntary or involuntary liquidation) by dividend, redemption or other acquisition of shares of stock of the Corporation or otherwise is permitted under the Delaware General Corporation Law, no effect shall be given to amounts that would be needed, if the Corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of holders of shares of stock of the Company whose preferential rights upon dissolution are superior to those receiving the distribution.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Series A Junior Participating Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Junior Participating Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the

denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. No Redemption. The shares of Series A. Junior Participating Preferred Stock shall not be redeemable.

Section 9. Ranking. The Series A Junior Participating Preferred Stock shall rank junior to all other series of the Corporation's Preferred Stock as to the payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise.

Section 10. Amendment. At any time when any shares of Series A Junior Participating Preferred Stock are outstanding, the Restate Certificate of Incorporation of the Corporation, including the terms of this Certificate of Designation, shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Junior Participating Preferred Stock so as to affect them adversely without the affirmative vote of the holders of a majority or more of the outstanding shares of Series A Junior Participating Preferred Stock, voting separately as a class.

Section 11. Fractional Shares. Series A Junior Participating Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Junior Participating Preferred Stock.

IN WITNESS WHEREOF, we have executed and subscribed this Certificate and so affirm the foregoing as true under the penalties of perjury. This 21st day of November, 2006.

Harold S. Edwards
President

ATTEST:

Don P. Delmatoff
Secretary

IN WITNESS WHEREOF, LIMONEIRA COMPANY has caused these Articles Supplementary to be signed in its name and on its behalf by its PRESIDENT and attested to by its Secretary on 11/24/06.

LIMONEIRA COMPANY

By: [signature]
Name: Harold S. Edwards
Title: President

Attest:

[signature]
Secretary

BYLAWS

OF

LIMONEIRA COMPANY
a Delaware corporation

ARTICLE I

OFFICES

SECTION 1.1 REGISTERED OFFICE.

The registered office shall be in the City of Wilmington, County of New Castle, State of Delaware.

SECTION 1.2 OTHER OFFICES.

The corporation may also have offices at such other places both within and without the State of Delaware as the board of directors from time to time determine or the business of the corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

SECTION 2.1 ANNUAL MEETINGS.

The annual meeting of the stockholders shall be held on the fourth Tuesday of February of each year at the hour of 10:00 a.m., except that if in any year such day should be a legal holiday, then the meeting shall be held at the same time and place on the next day thereafter ensuing that is not a Sunday or legal holiday. If for any reason the annual meeting shall not be held on the date specified, it may be held at such other time, within thirty (30) days after the date set forth in this Section 2.1 as the board of directors may designate. At each annual meeting, directors shall be elected, and any other proper business may be transacted. There shall be no other regular meetings of the shareholders.

SECTION 2.2 NOTICE OF ANNUAL MEETINGS.

It shall be the duty of the secretary to cause written notice of each annual meeting, stating the place, day and hour thereof, to be mailed or otherwise sent or delivered, not less than ten (10) days nor more than sixty (60) days next preceding the date of such meeting, to each stockholder entitled to vote.

Except as otherwise provided by a resolution or resolutions of the board of directors creating any series of Preferred Stock or by the laws of the State of Delaware, the holders of shares of the Common Stock issued and outstanding shall have and possess the exclusive right to notice of stockholders' meetings and exclusive power to vote. Any business may be transacted at such meeting, whether or not it be mentioned in the notice; provided that the general nature of the business must be stated in the notice, in order to take action at an annual meeting.

SECTION 2.3 SPECIAL MEETINGS.

Special meetings of the stockholders of the corporation for any purpose or purposes whatsoever may be called at any time by the board of directors, by a committee of the board of directors which has been duly designated by the board of directors and whose powers and authority, as provided in a resolution of the board of directors or in these bylaws, include the power to call such meetings or by one or more stockholders holding shares that in the aggregate are entitled to cast ten percent (10%) of the votes at that meeting, but such special meetings may not be called by any other person or persons; provided, however, that if and to the extent that any special meeting of stockholders may be called by any other person or persons specified in any certificate filed under Section 151(g) of the Delaware General Corporation Law (or its successor statute as in effect from time to time hereunder), then such special meeting may also be called by the person or persons, in the manner, at the times, and for the purposes so specified. Every such call shall be in writing and shall state the purpose or purposes of the meeting.

If a special meeting is called by anyone other than the board of directors, the person or persons calling the meeting shall make a request in writing, delivered personally or sent by registered mail or by telegraphic or other facsimile transmission, to the chairman of the board or the president, vice president, or secretary, specifying the time and date of the meeting (which is not less than 90 nor more 120 days after receipt of the request) and the general nature of the business proposed to be transacted. Within 60 days after receipt, the officer receiving the request shall cause notice to be given to the shareholders entitled to vote, in accordance with section 2.4, stating that a meeting will be held at the time requested by the person(s) calling the meeting, and stating the general nature of the business proposed to be transacted. If notice is not given within 60 days after receipt of the request, the person or persons requesting the meeting may give the notice. Nothing contained in this paragraph shall be construed as limiting, fixing, or affecting the time when a meeting of stockholders called by action of the board may be held.

SECTION 2.4 NOTICE OF SPECIAL MEETINGS.

Written notice of each special meeting of stockholders, stating the place, day and hour thereof, and the general nature of the business to be transacted, shall be mailed, or otherwise sent or delivered, by the secretary or other person authorized or required by law to give such notice, not less than ten (10) days nor more than sixty (60) days next preceding the date of such meeting, to each stockholder entitled to vote. Except as otherwise provided by a resolution or resolutions of the board of directors creating any series of Preferred Stock or by the laws of the State of Delaware, the holders of shares of the Common Stock issued and outstanding shall have and possess the exclusive right to notice of special meetings of stockholders and exclusive power to vote thereat.

SECTION 2.5 ADJOURNED MEETINGS AND NOTICE THEREOF.

Any stockholders' meeting, whether a quorum is or is not present thereat, may be adjourned from time to time by the vote of a majority of the shares, the holders of which are either present in person or represented by proxy at the meeting, but no other business may be transacted at the meeting in the absence of a quorum except as provided in Section 2.6 of this Article II. When any annual or special meeting of the stockholders is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Except as hereinbefore stated, it shall not be necessary to give any notice of the time or place of the adjourned meeting or of the business to be transacted thereat, other than by announcement at the meeting at which the adjournment is taken.

SECTION 2.6 QUORUM.

The presence in person or by proxy of the persons entitled to vote a majority of the voting shares at any meeting of the stockholders shall, except as otherwise provided by law, constitute a quorum for the transaction of business. The stockholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

SECTION 2.7 PLACE OF STOCKHOLDERS' MEETINGS.

Meetings of the stockholders shall be held at any place within or without the State of Delaware designated by the board of directors pursuant to authority hereinafter granted to said board. In the absence of any such designation such meetings shall be held at the principal office of the corporation.

SECTION 2.8 CONSENT TO MEETINGS.

No action which is required to be taken at any annual or special meeting of stockholders of the corporation or which may be taken at any annual or special meeting of the stockholders may be taken without conducting a meeting; and no consent in writing to any such action of the stockholders shall be valid.

SECTION 2.9 PROXIES.

Every person entitled to vote or execute consents may do so either in person or by one or more agents authorized by a written proxy executed by the person or his duly authorized agent and filed with the secretary of the corporation, but no proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period.

A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only so long as, it is coupled with an interest sufficient in law to support an irrevocable power. A proxy may be made irrevocable regardless of whether the interest with which it is coupled is an interest in the stock itself or an interest in the corporation generally.

SECTION 2.10 RECORD DATE AND CLOSING STOCK BOOKS.

The board of directors may fix a time, in the future, not more than sixty (60) nor less than ten (10) days prior to the date of any meeting of stockholders, or the date fixed for the payment of any dividend or distribution, or for the allotment of rights, or when any change or conversion or exchange of shares shall go into effect, or the date fixed to express consent to corporate action in writing without a meeting, as a record date for the determination of the stockholders entitled to receive any such dividend or distribution, or any such allotment of rights, or to exercise the rights in respect to any such change, conversion, or exchange of shares, or to express consent to corporate action without a meeting, and in such case only stockholders of record on the date so fixed shall be entitled to notice of and to vote at such meeting or to receive such dividend, distribution or allotment of rights, or to exercise such rights, or to express consent to corporate action without a meeting, as the case may be, notwithstanding any transfer of any shares on the books of the corporation after any record date fixed as aforesaid. The board of directors may close the books of the corporation against transfers of shares during the whole, or any part, of any such period. If no record date is fixed, as hereinbefore provided in this Section 2.10, then the record date shall be as provided in Section 213(a) of the Delaware Corporation Law.

SECTION 2.11 VOTING.

At all meetings of the stockholders of the Corporation, the holders of shares of the Common Stock shall be entitled to one vote for each share of Common Stock held by them. Except as otherwise provided by a resolution or resolutions of the board of directors creating any series of Preferred Stock or by the laws of the State of Delaware, the holders of shares of the Common Stock issued and outstanding shall have and possess the exclusive right to notice of stockholders' meetings and exclusive power to vote. The holders of shares of the Preferred Stock issued and outstanding shall, in no event, be entitled to more than one vote for each share of Preferred Stock held by them unless otherwise required by law.

Each person entitled to vote at any meeting of stockholders shall be entitled to one vote for each share. Voting may be viva voce or by ballot; provided, that an election for directors must be by ballot if a stockholder demands election by ballot at the election and before the voting begins.

At all elections of directors of the Corporation, a holder of any class or series of stock then entitled to vote in such election shall be entitled to one vote for each share. Each stockholder may cast all of such votes for a single nominee for director or may distribute them among the number to be voted for, or for any two or more of them as he or she may see fit.

SECTION 2.12 ACTIONS WITHOUT A MEETING.

No action may be taken by the stockholders except at an annual or special meeting of stockholders. No action may be taken by stockholders by written consent.

ARTICLE III

BOARD OF DIRECTORS

SECTION 3.1 POWERS.

The business of the corporation shall be managed by or under the direction of its board of directors which may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the certificate of incorporation or by these bylaws directed or required to be exercised or done by the stockholders. Without prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the directors shall have the following powers, to wit:

First: To select and remove all the other officers, agents and employees of the corporation, prescribe such powers

and duties for them as may not be inconsistent with law, with the certificate of incorporation or the bylaws, fix their compensation and require from them security for faithful service.

Second: To conduct, manage and control the affairs and business of the corporation, and to make such rules and regulations therefor not inconsistent with law, with the certificate of incorporation, or the bylaws, as they may deem best.

Third: To change the principal office for the transaction of the business of the corporation from one location to another within the same county as provided in Section 6.1 hereof; to fix and locate from time to time one or more subsidiary offices of the corporation within or without the State of California, as provided in Section 6.2 hereof; to designate any place within or without the State of California for the holding of any stockholders' meeting or meetings; and to adopt, make and use a corporate seal, and to prescribe the forms of certificates of stock, and to alter the form of such seal and of such certificates from time to time, as in their judgment they may deem best, provided such seal and such certificates shall at all times comply with the provisions of law.

Fourth: To authorize the issue of shares of stock of the corporation from time to time, upon such terms as may be lawful, in consideration of money paid, labor done or services actually rendered, debts or securities cancelled, or tangible or intangible property actually received, or in the case of shares issued as a dividend, against amounts transferred from surplus to stated capital.

Fifth: To borrow money and incur indebtedness for the purposes of the corporation, and to cause to be executed and delivered therefor, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidences of debt and securities therefor.

Sixth: To do or cause to be done any and all other acts or things that the board of directors is or shall be authorized or permitted to do or cause to be done, under or pursuant to the certificate of incorporation, the bylaws or applicable state, federal or other laws.

SECTION 3.2 EXACT NUMBER OF DIRECTORS.

The exact number of directors of this corporation shall be nine (9) until this Section 3.2 shall be changed by the amendment thereof duly adopted by the board of directors or by the stockholders as provided in the corporation's certificate of incorporation.

SECTION 3.3 CLASS OF DIRECTORS, ELECTION AND TERM OF OFFICE.

The board of directors shall be and is divided into three classes, Class I, Class II and Class III. Such classes shall be equal in number of directors. Each director shall serve for a term ending on the date of the third annual meeting following the annual meeting at which such director was elected; provided, however, that the directors first elected to Class I (in 1990) shall serve for a term ending on the date of the annual meeting next following the end of fiscal year 1990, the directors first elected to Class II (in 1990) shall serve for a term ending on the date of the second annual meeting next following the end of fiscal year 1990, and directors first elected to Class III (in 1990) shall serve for a term ending on the date of the third annual meeting next following the end of fiscal year 1990. The foregoing notwithstanding, each director shall serve until his or her successor shall have been duly elected and qualified, unless he or she shall resign, become disqualified, disabled or shall otherwise be removed.

At each annual election, the directors chosen to succeed those whose terms then expire shall be of the same class as the directors they succeed, unless by reason of any intervening changes in the authorized number of directors, the board shall designate one or more directorships whose term then expires as directorships of another class in order more nearly to achieve equality of number of directors among the classes.

Notwithstanding the provision that the three classes shall be equal in number of directors, in the event of any change in the authorized number of directors, each director then continuing to serve as such shall nevertheless continue as a director of the class of which he or she is a member until the expiration of his or her current term, or his or her prior death, resignation or removal.

SECTION 3.4 VACANCIES AND REMOVAL.

Subject to the rights of the holders of any series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the board of directors resulting from death, resignation, retirement, disqualification, removal from office or other cause shall be filled by a majority vote of the directors then in office, or by a sole remaining director, and directors so chosen shall hold office for a term expiring at the Annual Meeting of Stockholders at which the term of the class to which they have been elected expires. No decrease in the number of directors constituting the board of directors shall shorten the term of any incumbent director. Stockholders shall have no right to fill a vacancy created on the board of directors for any reason.

Subject to the rights of the holders of any series of Preferred Stock then outstanding, any director, or the entire board of directors, may be removed from office at any time, but only by the affirmative vote of the holders of at least 66 2/3% of the total voting power of all outstanding securities entitled to vote generally in the election of directors of the Corporation, voting together as a single class.

SECTION 3.5 ORGANIZATION AND OTHER REGULAR MEETINGS.

Immediately after each annual meeting of the stockholders, the directors shall hold a meeting (which may be designated as an organization meeting), without call, for purposes of organization, the election of officers and the transaction of other business. Every such meeting shall be deemed to be a regular meeting.

Other regular meetings of the board of directors shall be held, without call, on the fourth Tuesday of each month at the hour of 9:00 a.m. No notice of any regular meeting of the board of directors need be given.

SECTION 3.6 SPECIAL MEETINGS.

Special meetings of the board of directors for any purpose or purposes shall be held whenever called by the chairman of the board, the president, or by any two directors.

SECTION 3.7 NOTICE OF SPECIAL MEETINGS.

Written notice of the time and place of each special meeting of the board of directors shall be delivered personally or sent by mail or telegraph or other written form of communication, to each director. If the notice is personally delivered to a director, it shall be so delivered at least twenty-four (24) hours before the time fixed for the meeting; and if the notice is sent by mail, telegraph or other form of written communication, it shall be sent at least forty-eight (48) hours before the time fixed for the meeting, with charges fully prepaid, addressed to him at his address, if any, shown on the records of the corporation, or if no such address appears on such records, at the city or place in which the meetings of the board of directors are usually held.

No notice of the objects or purposes of any special meeting of the board of directors need be given, and unless otherwise indicated in the notice thereof, any business of any and every nature may be transacted at such meeting.

An entry in the minutes of any meeting of the board of directors to the effect that notice has been duly given to any director or directors shall be and be deemed to be conclusive and incontrovertible evidence that such notice has been given as required by law and the bylaws of this corporation.

SECTION 3.8 ADJOURNED MEETINGS.

A quorum of the directors may adjourn any directors' meeting to meet again at a stated day and hour; provided, however, that in the absence of a quorum, a majority of the directors present at any directors' meeting, either regular or special, may adjourn from time to time until the time fixed for the next regular meeting of the board.

No notice of the time or place or purpose of holding an adjourned meeting need be given to any absent director if the time and place is fixed at the meeting adjourned.

SECTION 3.9 QUORUM.

Subject to the provisions of Sections 3.4, 3.8 and 4.4 of these bylaws, a majority of the number of directors fixed by the certificate of incorporation or the bylaws shall be necessary and sufficient to constitute a quorum for the transaction of business, and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors. A majority of the directors present at any meeting of the board, whether a quorum shall be present or not, may adjourn the meeting from time to time without notice, other than announcement at the meeting, provided that the time so fixed shall not extend beyond the time for the next regular meeting of the board.

SECTION 3.10 PLACE OF MEETINGS.

Meetings of the board of directors may be held at any place within or without the State of Delaware which may be designated from time to time by or pursuant to authorization contained in either a prior resolution of the board or a prior written consent signed by all of the members of the board; and in the absence of such designation with respect to any meeting, and subject to the provisions of Section 3.11 of these bylaws, the meeting shall be held at the principal office of the corporation.

SECTION 3.11 CONSENT TO MEETINGS, ETC.

The transactions of any meeting of the board of directors, however called and noticed or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum is present and if, either before or after the meeting, each of the directors not present signs a written waiver of notice or a consent to holding such meeting, or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

SECTION 3.12 ACTION WITHOUT MEETING.

Any action required or permitted to be taken by the board of directors or any committee thereof may be taken without a meeting, if all members of the board or committee, as the case may be, shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the board or committee. Any certificate or other document which relates to action taken without a meeting pursuant to this section shall state that the action was taken by unanimous written consent of the board of directors or the committee without a meeting, and that the bylaws authorize the directors or committee to so act.

SECTION 3.13 TELEPHONIC CONFERENCES.

Members of the board of directors, or any committee designated by the board of directors, may participate in a meeting of the board of directors, or any committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

SECTION 3.14 COMPENSATION OF DIRECTORS.

A director may receive a salary or other compensation for his services as such director, as such salary or other compensation may be set by resolution of the board of directors. This Section 3.14 shall not be construed to preclude any director from serving the corporation in any other capacity as an officer, agent, employee or otherwise, and receiving compensation for those services.

ARTICLE IV

OFFICERS

SECTION 4.1 DESIGNATION, QUALIFICATION, SELECTION AND TERM OF OFFICE OF OFFICERS.

The officers of the corporation shall be a chairman of the board, a chief executive officer and president, an executive vice president, a secretary and a chief financial officer and treasurer, all of whom shall be chosen by the board of directors, and such other officers as shall be appointed in accordance with the provisions of Section 4.2 of these bylaws. The chairman of the board must be a director, but no other officers need be a director. One person may hold two or more offices.

The officers of the corporation except those appointed in accordance with the provisions of Sections 4.2 or 4.4 of these

bylaws shall be elected annually by the board of directors at the meeting provided for in Section 3.5 of these bylaws, and each shall hold and continue in office until he shall resign or shall be removed or otherwise become disqualified to serve or until his successor shall be elected and qualified.

SECTION 4.2 OTHER OFFICERS.

The board of directors may, in its discretion, appoint one or more additional vice presidents, one or more assistant secretaries, one or more assistant treasurers, and such other officers, agents, and employees as it may deem necessary or advisable, each of whom shall have such powers and authority, and shall perform such duties as are or may be conferred or prescribed by these bylaws or as the board of directors may from time to time direct or determine. The board of directors may delegate to any officer the power to appoint and to prescribe the authority and duties of any officer, agent or employee except of assistant secretaries, assistant treasurers, and those whose powers and duties are hereinafter in this Article IV specifically set forth. Subject to the foregoing provisions of this Section 4.2, any assistant secretary, or assistant treasurer, may exercise any of the powers of the secretary or the treasurer, respectively.

SECTION 4.3 REMOVAL AND RESIGNATION.

Any officer may be removed, either with or without cause, by a majority of the directors at the time in office, at any regular or special meeting of the board, or except in case of an officer chosen by the board of directors, by an officer upon whom such power of removal shall have been conferred by a majority of the directors acting at a regular or special meeting thereof.

Any officer may resign at any time by giving written notice to the board of directors or to the president, or to the secretary of the corporation. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 4.4 VACANCIES.

A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled in the manner provided in these bylaws for regular appointments to such office, except that, if such vacancy occurs in the office of chairman of the board, president, vice president, secretary or treasurer, the successor may be chosen at any regular or special meeting of the board of directors.

Section 4.5 SALARIES.

The amount of salary which each officer shall receive, and the manner and time of its payment shall be fixed and determined by the board of directors, and may be altered from time to time by the board at its pleasure. No officer shall be prevented from receiving such salary by reason of the fact he is also a director of the corporation.

SECTION 4.6 CHAIRMAN OF THE BOARD.

The chairman of the board shall: (1) Preside at all meetings of the stockholders and at all meetings of the board of directors; (2) Be a member of all the standing committees, including the executive committee, if any; (3) Have such other powers and duties as may be prescribed by the board of directors or the bylaws.

SECTION 4.7 PRESIDENT.

The president shall be the principal executive officer of the corporation, and subject to the control of the board of directors, shall have general supervision, direction and control of the business and affairs of the corporation. He shall have the general powers and duties of management usually vested in the principal executive officer of a company. In the absence or disability of the chairman of the board, the president will perform all the duties of, and when so acting shall have all the powers of, and be subject to all the restrictions upon, the chairman of the board. The president will be the chief operating officer of the corporation. The president shall have such other powers and perform such other duties as from time to time may be prescribed by the board of directors.

SECTION 4.8 EXECUTIVE VICE PRESIDENT.

In the absence or disability of the president, the executive vice president shall perform all the duties of the president, and when so acting shall have all the powers of, and be subject to all the restrictions upon the president. The executive vice president shall have such other powers and perform such other duties as from time to time may be prescribed for him by the board of directors or the bylaws.

SECTION 4.9 SECRETARY.

The secretary shall keep, or cause to be kept, a book of minutes, at the principal office or such other place as the board of directors may order, of all meetings of directors and stockholders, with the time and place of holding, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present at directors' meetings, the number of shares present or represented at stockholders' meetings and the proceedings thereof.

The secretary shall keep, or cause to be kept, at the principal office or at the office of the corporation's transfer agent, a share register, or a duplicate share register, showing the names of the stockholders and their addresses; the number and classes of shares held by each stockholder; the number and dates of certificates issued for the same, and the number and date of cancellation of every certificate surrendered for cancellation.

The secretary shall give, or cause to be given, notice of all the meetings of the stockholders and of the board of directors required by the bylaws or by law to be given, and he shall keep the seal of the corporation in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the board of directors or by the bylaws.

SECTION 4.10 CHIEF FINANCIAL OFFICER AND TREASURER.

The chief financial officer and treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, surplus and shares. Any surplus, including earned surplus, paid-in surplus and surplus arising from a reduction of stated capital, shall be classified according to source and shown in a separate account. The books of account shall at all times be open to inspection by any director.

The chief financial officer and treasurer shall deposit all monies and other valuables in the name and to the credit of the corporation with such depositaries as may be designated by the board of directors. He shall disburse the funds of the corporation as may be ordered by the board of directors, shall render to the chairman of the board, the president, and directors, whenever they request it, an account of all of his transactions as chief financial officer and treasurer and of the financial condition of the corporation, and shall have such other powers and perform such other duties as may be prescribed by the board of directors or the bylaws. The chief financial officer and treasurer shall also be the principal accounting officer of the corporation.

ARTICLE V

COMMITTEES

SECTION 5.1 APPOINTMENT, POWERS AND PROCEEDINGS OF EXECUTIVE COMMITTEE AND OTHER COMMITTEES.

The board of directors may, by resolution passed by a majority of the whole board, designate an executive committee and other committees, each committee to consist of one or more of the

directors of the corporation. The board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Any such committee, to the extent provided in the resolution of the board of directors, shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the certificate of incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders a dissolution of the corporation, or a revocation of a dissolution, or amending the bylaws of the corporation; and, unless the resolution expressly so provides, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock. The board shall have the power to prescribe from time to time the manner in which proceedings of the executive committee and other committees shall be conducted.

ARTICLE VI

OFFICES

SECTION 6.1 PRINCIPAL OFFICE.

The principal office for the transaction of the business of the corporation is hereby fixed and located at 1141 Cummings Road, in the City of Santa Paula, County of Ventura, State of California. The board of directors is hereby granted full power and authority to change said principal office location. Any such change shall be noted on the bylaws by the secretary, opposite this section, or this section may be amended to state the new location.

SECTION 6.2 OTHER OFFICES.

Branch or subordinate offices may at any time be established by the board of directors at any place or places where the corporation is qualified to do business.

ARTICLE VII

MISCELLANEOUS PROVISIONS

SECTION 7.1 SEAL.

The board of directors shall provide a suitable seal containing the name of the corporation, the year of its organization and the words "Corporate Seal, Delaware", and may alter the same at its pleasure. The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

SECTION 7.2 CERTIFICATES OF STOCK.

A certificate or certificates for shares of the capital stock of the corporation shall be issued to each stockholder when any such shares are fully paid up. All such certificates shall be signed by the chairman of the board, the president or a vice president and the secretary or an assistant secretary, or be authenticated by facsimiles of the signatures of the chairman of the board, the president and secretary or by a facsimile of the signature of the chairman of the board, the president and the written signature of the secretary or an assistant secretary. Every certificate authenticated by a facsimile of a signature must be countersigned by a transfer agent or transfer clerk, and be registered by an incorporated bank or trust company, either domestic or foreign, as registrar of transfers, before issuance.

Certificates for shares may be issued prior to full payment under such restrictions and for such purposes as the board of directors or the bylaws may provide; provided, however, that any such certificate so issued prior to full payment shall state the amount of the consideration to be paid therefor and the amount paid thereon.

SECTION 7.3 TRANSFER AGENTS AND REGISTRARS.

The board of directors may appoint and remove transfer agents and registrars of transfers, and notwithstanding any of the provisions of Section 7.2 of these bylaws that may be construed to the contrary, may, in the discretion of the board, require all stock certificates, warrants, scrip certificates or scrip warrants to bear the signature of any such transfer agent or of any such registrar or transfers.

SECTION 7.4 LOST OR DESTROYED CERTIFICATES.

In case any certificate for shares, bond, debenture or other security issued by this corporation, or by any corporation of which it is the lawful successor, is lost or destroyed, the board of directors may authorize the issue of a new instrument therefor, on such terms and conditions as the board may

determine, after proof of such loss or destruction satisfactory to the board of directors, and it may, in its discretion, require a bond or other security, in an adequate amount, as indemnity against any claim that may be made against this corporation therefor. A new instrument may be issued without requiring any bond or security when, in the judgment of the directors, it is proper to do so.

SECTION 7.5 REPRESENTATION OF SHARES OF OTHER CORPORATIONS.

The chairman of the board, the president or any vice president and the secretary or any assistant secretary of this corporation may vote, exercise written consents with respect to, or otherwise represent, on behalf of this corporation, any and all shares of any other corporation or corporations standing in the name of this corporation, and may exercise, on behalf of this corporation, any and all rights incidental to said shares. The authority hereinbefore conferred upon such officers in this Section 7.5 may be exercised by such officers acting in person, or by any other person or persons authorized, by proxy or power of attorney signed by said officers, to vote or represent the shares last hereinbefore mentioned.

SECTION 7.6 CHECKS, DRAFTS, ETC.

All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the corporation, and any and all securities owned or held by the corporation requiring signature for transfer, shall be signed or endorsed by such person or persons and in such manner as, from time to time, shall be determined by resolution of the board of directors.

SECTION 7.7 CONTRACTS, ETC., HOW EXECUTED.

The board of directors, except as in the bylaws otherwise provided, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances; and unless so authorized by the board of directors, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or to any amount.

SECTION 7.8 ANNUAL REPORTS AND FINANCIAL STATEMENTS.

The board of directors of this corporation shall cause an annual report to be sent to the stockholders at least ten (10) days in advance of each annual meeting of stockholders, but in no event later than one hundred twenty (120) days after the close of the fiscal year.

The annual report shall include the following:

(a) An audited consolidated balance sheet, eliminating all intercompany transactions, of the corporation and its subsidiaries as of such closing date.

(b) Audited consolidated surplus and income statements thereof for the year ended on such closing date.

Such financial statements shall be prepared in accordance with generally accepted accounting principles for the businesses carried on by the corporation.

SECTION 7.9 INSPECTION OF BYLAWS.

The corporation shall keep in its principal office for the transaction of business, the original or a copy of the bylaws as amended or otherwise altered to date, certified by the secretary, which shall be open to inspection by the stockholders at all reasonable times during office hours.

SECTION 7.10 PROOF OF NOTICE.

Whenever any stockholder entitled to vote has been absent from any meeting of stockholders, and whenever any director has been absent from any special meeting of the board of directors, an entry in the minutes of the meeting to the effect that notice has been duly given shall be conclusive and incontrovertible evidence that due notice of such meeting was given to such absentee as required by law and the bylaws of the corporation.

SECTION 7.11 RESIGNATIONS AND VACANCIES.

Any director, officer or committee member may resign at any time, by a resignation in writing which shall take effect at the time specified therein, or if no time is so specified such resignation shall take effect at the time of its receipt by the president or secretary, or other person authorized to perform and performing the duties of either office at the time of such receipt. The acceptance of a resignation shall not be necessary to make it effective, unless otherwise specified in the resignation. The persons (or person) having the authority to fill a vacancy to be created by a resignation tendered to take effect at a future time may elect or appoint a successor to take office when such resignation becomes effective.

SECTION 7.12 CONSTRUCTION AND DEFINITIONS.

Unless the context otherwise requires, the general provisions, rules of construction and definitions contained in the Delaware Corporation Law shall govern the construction of these bylaws. Without limiting the generality of the foregoing, the masculine gender includes the feminine and neuter, the

singular number includes the plural and the plural number includes the singular, and the term "person" includes corporation as well as a natural person.

ARTICLE VIII

INDEMNIFICATION AND INSURING OF DIRECTORS AND OFFICERS

SECTION 8.1 POLICY.

It is the policy and intention of the corporation to provide to its officers and directors broad and comprehensive indemnification from liability to the full extent permitted by law.

SECTION 8.2 RIGHT TO INDEMNIFICATION.

Each person who was or is a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the corporation to the fullest extent permitted by the laws of Delaware against all costs, charges, expenses, liabilities and losses (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that, except as provided in Article 8.3, the corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was initiated or authorized by the board of directors of the corporation. The right to indemnification conferred in this Article shall be a contract right and shall include the right to be paid by the corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if the Delaware General Corporation Law requires, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is

rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Article or otherwise. The corporation may, by action of its board of directors, provide indemnification to employees and agents of the corporation with the same scope and effect as the foregoing indemnification of directors and officers.

SECTION 8.3 RIGHT OF CLAIMANT TO BRING SUIT.

If a claim under this Article is not paid in full by the corporation within thirty days after a written claim has been received by the corporation, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the corporation) that the claimant has failed to meet a standard of conduct which makes it permissible under Delaware law for the corporation to indemnify the claimant for the amount claimed. Neither the failure of the corporation (including its board of directors, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is permissible in the circumstances because he or she has met such standard of conduct, nor an actual determination by the corporation (including its board of directors, independent legal counsel or its stockholders), that the claimant has not met such standard of conduct, shall be a defense to the action or create a presumption that the claimant has failed to meet such standard of conduct.

SECTION 8.4 NON-EXCLUSIVITY OF RIGHTS.

The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the certificate of incorporation, bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

SECTION 8.5 INSURANCE.

The corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the corporation or another corporation, partnership, joint

venture, trust or other enterprise against any such expense, liability or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under Delaware law.

SECTION 8.6 EXPENSES AS A WITNESS.

To the extent that any director, officer, employee or agent of the corporation is by reason of such position, or a position with another entity at the request of the corporation, a witness in any action, suit or proceeding, he or she shall be indemnified against all costs and expenses actually and reasonably incurred by him or her or on his or her behalf in connection therewith.

SECTION 8.7 INDEMNITY AGREEMENTS.

The corporation may enter into indemnity agreements with the persons who are members of its board of directors from time to time, and with such officers, employees and agents as the Board may designate, such indemnity agreements to provide in substance that the corporation will indemnify such persons to the full extent contemplated by this Article.

SECTION 8.8 EFFECT OF REPEAL OR MODIFICATION.

Any repeal or modification of this Article shall not result in any liability for a director with respect to any action or omission occurring prior to such repeal or modification.

ARTICLE IX

AMENDMENTS

SECTION 9.1 POWER OF STOCKHOLDERS.

Except as otherwise provided from time to time by law or by the certificate of incorporation, the bylaws, or any provision thereof, may be amended or repealed and new bylaws may be adopted by the affirmative vote of holders of not less than 66 2/3% of the total voting power of all outstanding securities entitled to vote generally in the election of directors of the corporation.

SECTION 9.2 POWER OF DIRECTORS.

Subject to the right of stockholders to amend, repeal and adopt bylaws, and to the provisions of the bylaws as from time to time amended by the stockholders, the bylaws, or any provision thereof, may be amended or repealed and new bylaws may be adopted by a majority of the authorized number of directors.

RESOLUTION

RESOLVED, that the Bylaws of this Corporation be amended by adding thereto a Section 3.15 which shall read in full as follows:

"ADVISORY DIRECTORS.

The board of directors may from time to time appoint as advisory directors one or more persons whose business experience and expertise would enable them to provide valuable information and insights to the board of directors.

Such persons shall serve without pay and for such terms as the board of directors may designate. Such persons may attend meetings of the board of directors but shall not have the right to vote and their presence or absence shall not be taken into account for purposes of determining a quorum."

AMENDMENT TO
BYLAWS
OF
LIMONEIRA COMPANY

(As approved by the Board of Directors on December 15, 2009)

Limoneira Company (the "**Corporation**"), a Delaware corporation, hereby adopts this Amendment to its Bylaws, effective as of December 15, 2009, as follows:

1. ARTICLE III, Section 3.2 of the Corporation's Bylaws is hereby amended and restated in its entirety to read as follows:

"Section 3.2 Exact Number of Directors.

The exact number of directors of this corporation shall be ten (10) until this Section 3.2 shall be changed by the amendment thereof duly adopted by the board of directors or by the stockholders as provided in the corporation's certificate of incorporation."

2. ARTICLE VII, Section 7.2 of the Corporation's Bylaws is hereby amended and restated in its entirety to read as follows:

"Section 7.2 Certificates of Stock.

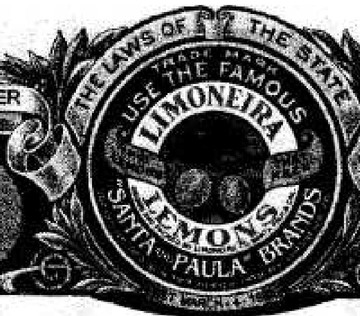
Shares of the capital stock of the corporation may be certificated or uncertificated, as provided under the laws of the State of Delaware. Any stockholder, upon written request to the transfer agent or transfer agent of the corporation, shall be entitled to a certificate representing shares of capital stock of the corporation. All such certificates shall be signed by the chairman of the board, the president or a vice president and the secretary or an assistant secretary, or be authenticated by facsimiles of the signatures of the chairman of the board, the president and secretary or by a facsimile of the signature of the chairman of the board, the president and the written signature of the secretary or an assistant secretary. Every certificate authenticated by a facsimile of a signature must be countersigned by a transfer agent or transfer clerk, and be registered by an incorporated bank or trust company, either domestic or foreign, as registrar of transfers, before issuance.

Certificates for shares may be issued prior to full payment under such restrictions and for such purposes as the board of directors or the bylaws may provide; provided, however, that any such certificate so issued prior to full payment shall state the amount of the consideration to be paid therefor and the amount paid thereon.

Transfers of stock shall be made on the books of the corporation by the holder of record thereof, or by the holder's attorney lawfully constituted in writing, and either (a) in the case of stock represented by a certificate, upon surrender for cancellation of any such certificate for such shares, duly endorsed or accompanied by proper evidence of

succession, assignment or authority to transfer, or (b) in the case of uncertificated stock, upon proper instructions from the holder of record of such shares or the holder's attorney lawfully constituted in writing, and with such proof of the authenticity of the signatures as the corporation or its agents may reasonably require and with all required stock transfer tax stamps affixed thereto and cancelled or accompanied by sufficient funds to pay such taxes."

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE



No. 1701 | Shares VOID

Limoneira Company
of Santa Paula

COMMON STOCK $30,000.00 | NUMBER OF SHARES 3,000,000

This Certifies that - VOID - *is the owner of* - VOID - *Shares of the Common Stock of*

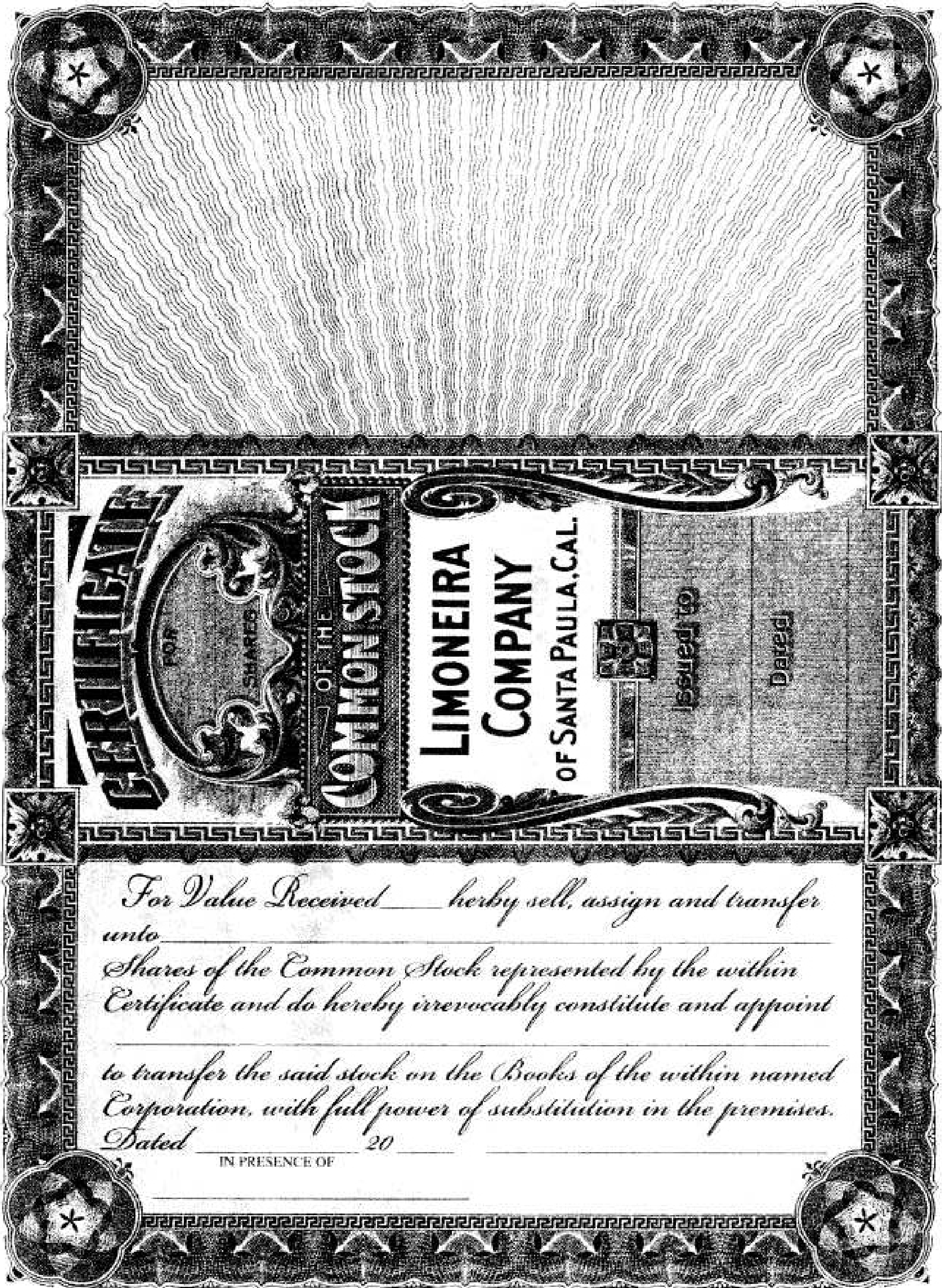
Limoneira Company

transferable only on the books of the Corporation by the holder hereof in person or by the Attorney upon surrender of this Certificate properly endorsed.

IN WITNESS WHEREOF, *the said Corporation has caused this Certificate to be signed by its duly authorized officers and to be sealed with the Seal of the Corporation at Santa Paula, California, this ______ day of ______ A.D. 20____*

- VOID -
SECRETARY.

- VOID -
PRESIDENT.



CERTIFICATE FOR ______ SHARES OF THE COMMON STOCK

LIMONEIRA COMPANY OF SANTA PAULA, CAL.

Issued to

Dated

For Value Received ______ herby sell, assign and transfer unto ______

Shares of the Common Stock represented by the within Certificate and do hereby irrevocably constitute and appoint

______

to transfer the said stock on the Books of the within named Corporation, with full power of substitution in the premises.

Dated ______ *20* ______ ______

IN PRESENCE OF

______

2.6

RIGHTS AGREEMENT

between

LIMONEIRA COMPANY

and

THE BANK OF NEW YORK

As Rights Agent

Dated as of December 20, 2006

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11/20/06

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Exhibit C - Form of Summary of Rights

RIGHTS AGREEMENT

RIGHTS AGREEMENT, dated as of December 20, 2006 (the "Agreement"), between Limoneira Company, a Delaware corporation (the "Company"), and The Bank of New York, a New York corporation (the "Rights Agent").

WITNESSETH

WHEREAS, on October 31, 2006 (the "Rights Dividend Declaration Date"), the Board of Directors of the Company authorized and declared a dividend distribution of one Right (as hereinafter defined) for each share of common stock, par value $.01 per share, of the Company (the "Common Stock") outstanding at the close of business on December 20, 2006 (the "Record Date"), and has authorized the issuance of one Right (as such number may hereinafter be adjusted pursuant to the provisions of Section 11(p) hereof) for each share of Common Stock of the Company issued between the Record Date (whether originally issued or delivered from the Company's treasury) and the Distribution Date (as hereinafter defined), each Right initially representing the right to purchase one one-hundredth of a share of Series A Junior Participating Preferred Stock of the Company (the "Preferred Stock") having the rights, powers and preferences set forth in the form of Certificate of Designation, Preferences and Rights, attached hereto as Exhibit A, upon the terms and subject to the conditions hereinafter set forth (the "Rights");

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein set forth, the parties hereby agree as follows:

Section 1. Certain Definitions.

For purposes of this Agreement, the following terms have the meanings indicated:

(a) "Acquiring Person" shall mean any Person who or which, together with all Affiliates and Associates of such Person, shall be the Beneficial Owner of 20% or more of the shares of Common Stock then outstanding, but shall not include (i) the Company, (ii) any Subsidiary of the Company, (iii) any employee benefit plan of the Company, or of any Subsidiary of the Company, or any Person or entity organized, appointed or established by the Company for or pursuant to the terms of any such plan, or (iv) any Person who becomes the Beneficial Owner of twenty percent (20%) or more of the shares of Common Stock then outstanding as a result of a reduction in the number of shares of Common Stock outstanding due to the repurchase of shares of Common Stock by the Company unless and until such

Person, after becoming aware that such Person has become the Beneficial Owner of twenty percent (20%) or more of the then outstanding shares of Common Stock, acquires beneficial ownership of additional shares of Common Stock representing one percent (1%) or more of the shares of Common Stock then outstanding, or (v) any such Person who has reported or is required to report such ownership (but less than 20%) on Schedule 13G under the Securities and Exchange Act of 1934, as amended and in effect on the date of the Agreement (the "Exchange Act") (or any comparable or successor report) or on Schedule 13D under the Exchange Act (or any comparable or successor report) which Schedule 13D does not state any intention to or reserve the right to control or influence the management or policies of the Company or engage in any of the actions specified in Item 4 of such schedule (other than the disposition of the Common Stock) and, within 10 Business Days of being requested by the Company to advise it regarding the same, certifies to the Company that such Person acquired shares of Common Stock in excess of 19.9% inadvertently or without knowledge of the terms of the Rights and who, together with all Affiliates and Associates, thereafter does not acquire additional shares of Common Stock while the Beneficial Owner of 20% or more of the shares of Common Stock then outstanding; provided, however, that if the Person requested to so certify fails to do so within 10 Business Days, then such Person shall become an Acquiring Person immediately after such 10-Business-Day period.

(b) "Act" shall mean the Securities Act of 1933.

(c) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Exchange Act.

(d) A Person shall be deemed the "Beneficial Owner" of, and shall be deemed to "beneficially own" any securities:

(i) which such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (whether or not in writing) or upon the exercise of conversion rights, exchange rights, rights, warrants or options, or otherwise; provided, however, that a Person shall not be deemed the "Beneficial Owner" of, or to "beneficially own," (A) securities tendered pursuant to a tender or exchange offer made by such Person or any of such Person1s Affiliates or Associates until such tendered securities are accepted for purchase or exchange, (B) securities issuable upon exercise of Rights at any time prior to the occurrence of a Triggering Event (as hereinafter defined), or (C) securities

issuable upon exercise of Rights from and after the occurrence of a Triggering Event which Rights were acquired by such Person or any of such Person's Affiliates or Associates prior to the Distribution Date (as hereinafter defined) or pursuant to Section 3(a) or Section 22 hereof (the "Original Rights") or pursuant to Section 11(i) hereof in connection with an adjustment made with respect to any Original Rights;

(ii) which such Person or any of such Persons Affiliates or Associates, directly or indirectly, has the right to vote or dispose of or has "beneficial ownership" of (as determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Exchange Act) including pursuant to any agreement, arrangement or understanding whether or not in writing; provided, however, that a Person shall not be deemed the "Beneficial Owner" of, to "beneficially own," any security under this subparagraph (ii) as a result of an agreement, arrangement or understanding to vote such security if such agreement, arrangement or understanding: (A) arises solely from a revocable proxy given in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable provisions of the General Rules and Regulations under the Exchange Act, and (B) is not reportable by such Person on Schedule13D under the Exchange Act (or any comparable or successor report); or

(iii) which are beneficially owned, directly or indirectly, by any other Person (or any Affiliate or Associate thereof) with which such Person (or any of such Person's Affiliates or Associates) has any agreement, arrangement or understanding (whether or not in writing), for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in the proviso to subparagraph (ii) of this paragraph (d)) or disposing of any voting securities of the Company; provided, however, that nothing in this paragraph (d) shall cause a Person engaged in business as an underwriter of securities to be the "Beneficial Owner" of, or to "beneficially own" any securities acquired through such Person's participation in good faith in a firm commitment underwriting until the expiration of forty days after the date of such acquisition, and then only if such securities continue to be owned by such Person at such expiration of forty days.

(e) "Business Day" shall mean any day other than a Saturday, Sunday or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

(f) "Close of business" on any given date shall mean 5:00 P.M., New York City time, on such date; provided, however, that if such date is not a Business Day, it shall mean 5:00 P.M., New York City time, on the next succeeding Business Day.

(g) "Common Stock" shall mean the common stock, par value $.01 per share, of the Company, except that "Common Stock" when used with reference to any Person other than the Company shall mean the capital stock of such Person with the greatest voting power, or the equity securities or other equity interest having power to control or direct the management, of such Person.

(h) "Common Stock Equivalents" shall have the meaning set forth in Section 11 (a) (iii) hereof.

(i) "Current Market Price" shall have the meaning set forth in Section 11 (d) (i) hereof.

(j) "Current .value" shall have the meaning set forth in Section 11 (a) (iii) hereof.

(k) "Distribution Date" shall have the meaning set forth in Section 3(a) hereof.

(l) "Equivalent Preferred Stock" shall have the meaning set forth in Section 11(b) hereof."

(m) "Exchange Act" shall mean the Securities and Exchange Act of 1934.

(n) "Exchange Ratio" shall have the meaning set forth in Section 24 hereof.

(o) "Expiration Date" shall have the meaning set forth in Section 7(a) hereof.

(p) "Final Expiration Date" shall have the meaning set forth in Section 7(a) hereof.

(q) "Person" shall mean any individual, firm, corporation, partnership or other entity.

(r) "Preferred Stock" shall mean shares of Series A Junior Participating Preferred Stock, par value $.01 per share, of the Company, and, to the extent that there are not a sufficient number of shares of Series A Junior Participating Preferred Stock authorized to permit the full exercise of the Rights, any other series of preferred stock of the Company designated for such purpose containing terms substantially similar to the terms of the Series A Junior Participating Preferred Stock.

(s) "Principal Party" shall have the meaning set forth in Section 13(b) hereof.

(t) "Purchase Price" shall have the meaning set forth

in Section 7(b) hereof.

(u) "Qualified Offer" shall have the meaning set forth in Section 11 (a) (ii) hereof."

(v) "Record Date" shall have the meaning set forth in the WHEREAS clause at the beginning of this Agreement.

(w) "Rights" shall have the meaning set forth in the WHEREAS clause at the beginning of this Agreement.

(x) "Rights Agent" shall have the meaning set forth in the parties' clause at the beginning of this Agreement.

(y) "Rights Certificate" shall have the meaning set forth in Section 3(a) hereof.

(z) "Rights Dividend Declaration Date" shall have the meaning set forth in the WHEREAS clause at the beginning of this Agreement.

(aa) "Section 3(a)(ii) Event" shall mean any event described in Section 3(a)(ii) hereof.

(bb) "Section 11(a) (ii) Event" shall mean any event described in Section 11(a) (ii) hereof.

(cc) "Section 13 Event" shall mean any event described in clauses (x), (y) or (z) of Section 13(a) hereof.

(dd) "Spread" shall have the meaning set forth in Section 11(a) (iii) hereof.

(ee) "Stock Acquisition Date" shall mean the first date of public announcement (which, for purposes of this definition, shall include, without limitation, a report filed or amended pursuant to Section 13(d) under the Exchange Act) by the Company or an Acquiring Person that an Acquiring Person has become such, other than pursuant to a Qualified Offer.

(ff) "Subsidiary" shall mean, with reference to any Person, any corporation of which an amount of voting securities sufficient to elect at least a majority of the directors of such corporation is beneficially owned, directly or indirectly, by such Person, or otherwise controlled by such Person.

(gg) "Substitution Period" shall have the meaning set forth in Section 11(a) (iii) hereof.

(hh) "Summary of Rights" shall have the meaning set forth in Section 3(b) hereof.

(ii) "Trading Day" shall have the meaning set forth in Section 11(d) (i) hereof.

(jj) "Triggering Event" shall mean any Section 3(a)(ii) Event Section 11(a) (ii) Event or any Section 13 Event.

Section 2. Appointment of Rights Agent.

The Company hereby appoints the Rights Agent to act as agent for the Company in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Company may from time to time appoint such co-rights agents as it may deem necessary or desirable.

Section 3. Issuance of Rights Certificates.

(a) Until the earlier of (i) the close of business on the tenth day after the Stock Acquisition Date (or, if the tenth day after the Stock Acquisition Date occurs before the Record Date, the close of business on the Record Date), or (ii) the close of business on the tenth Business Day (or such later date as the Board shall determine) after the date that a tender or exchange offer by any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company, or any Person or entity organized, appointed or established by the Company for or pursuant to the terms of any such plan) is first published or sent or given within the meaning of Rule 14d-2(a) of the General Rules and Regulations under the Exchange Act, if upon consummation thereof, such Person would become an Acquiring Person, in either instance other than pursuant to a Qualified Offer (the earlier of (i) and (ii) being herein referred to as the "Distribution Date"), (x) the Rights will be represented (subject to the provisions of paragraph (b) of this Section 3) by the certificates for the Common Stock registered in the names of the holders of the Common Stock (which certificates for Common Stock shall be deemed also to be certificates for Rights) and not by separate certificates, and *(y)* the Rights will be transferable only in connection with the transfer of the underlying shares of Common Stock (including a transfer to the Company). As soon as practicable after the Distribution Date, the Rights Agent will send by first-class, insured, postage-prepaid mail, to each record holder of the Common Stock as of the close of business on the Distribution Date, at the address of such holder shown on the records of the Company, one or more right certificates, in substantially the form of Exhibit B hereto (the "Rights Certificates"), representing one Right for each share of Common Stock so held, subject to adjustment as provided herein. In the event that an adjustment in the number of Rights per share of Common Stock has been made pursuant to Section 11(p) hereof, at the time of distribution of the Rights Certificates, the Company shall make the necessary and

appropriate rounding adjustments (in accordance with Section 14(a) hereof) so that Rights Certificates representing only whole numbers of Rights are distributed and cash is paid in lieu of any fractional Rights. As of and after the Distribution Date, the Rights will be represented solely by such Rights Certificates.

(b) The Company will make available, as promptly as practicable following the Record Date, a copy of a Summary of Rights, in substantially the form attached hereto as Exhibit C (the "Summary of Rights") to any holder of Rights who may so request from time to time prior to the Expiration Date. With respect to certificates for the Common Stock outstanding as of the Record Date, until the Distribution Date, the Rights will be represented by such certificates for the Common Stock and the registered holders of the Common Stock shall also be the registered holders of the associated Rights. Until the earlier of the Distribution Date or the Expiration Date (as such term is defined in Section 7(a) hereof), the transfer of any certificates representing "Shares of Common Stock" in respect of which Rights have been issued shall also constitute the transfer of the Rights associated with such shares of Common Stock.

(c) Rights shall be issued in respect of all shares of Common Stock which are issued after the Record Date but prior to the earlier of the Distribution Date or the Expiration Date. Certificates representing such shares of Common Stock shall also be deemed to be certificates for Rights, and shall bear the following legend:

> This certificate also represents and entitles the holder hereof to certain Rights as set forth in the Rights Agreement between Limoneira Company (the "Company") and the Rights Agent thereunder (the "Rights Agreement"), the terms of which are hereby incorporated herein by reference and a copy of which is on file at the principal offices of the Company. Under certain circumstances, as set forth in the Rights Agreement, such Rights will be represented by separate certificates and will no longer be represented by this certificate. The Company will mail to the holder of this certificate a copy of the Rights Agreement, as in effect on the date of mailing, without charge, promptly after receipt of a written request therefor. Under certain circumstances set forth in the Rights Agreement, Rights issued to, or held by, any Person who is, was or becomes an Acquiring Person or any Affiliate or Associate thereof (as such terms are defined in the Rights Agreement), whether currently held by or on behalf of such Person or by any subsequent holder, may become null and void.

With respect to such certificates containing the foregoing legend, until the earlier of (i) the Distribution Date or (ii) the Expiration Date, the Rights associated with the Common Stock represented by such certificates shall be represented by such certificates alone and registered holders of Common Stock shall also be the registered holders of the associated Rights, and the transfer of any of such certificates shall also constitute the transfer of the Rights associated with the Common Stock represented by such certificates.

Section 4. Form of Rights Certificates.

(a) The Rights Certificates (and the forms of election to purchase and of assignment to be printed on the reverse thereof) shall each be substantially in the form set forth in Exhibit B hereto and may have such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which the Rights may from time to time be listed, or to conform to usage. Subject to the provisions of Section 11 and Section 22 hereof, the Rights Certificates, whenever distributed, shall be dated as of the Record Date and on their face shall entitle the holders thereof to purchase such number of one one-hundredths of a share of Preferred Stock as shall be set forth therein at the price set forth therein (such exercise price per one one-hundredth of a share, the "Purchase Price"), but the amount and type of securities purchasable upon the exercise of each Right and the Purchase Price thereof shall be subject to adjustment as provided herein.

(b) Any Rights Certificate issued pursuant to Section 3(a), Section 11(i) or Section 22 hereof that represents Rights beneficially owned by: (i) an Acquiring Person or any Associate or Affiliate of an Acquiring Person, (ii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee after the Acquiring Person becomes such, or (iii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee prior to or concurrently with the Acquiring Person becoming such and. receives such Rights pursuant to either (A) a transfer (whether or not for consideration) from the Acquiring Person to holders of equity interests in such Acquiring Person or to any Person with whom such Acquiring Person has any continuing agreement, arrangement or understanding regarding the transferred Rights or (B) a transfer which the Board of Directors of the Company has determined is part of a plan, arrangement or understanding which has as a primary purpose or effect avoidance of Section 7(e) hereof, and any Rights Certificate issued pursuant to Section 6 or Section 11 hereof upon transfer, exchange, replacement or

adjustment of any other Rights Certificate referred to in this sentence, shall contain (to the extent feasible) the following legend:

> The Rights represented by this Rights Certificate are or were beneficially owned by a Person who was or became an Acquiring Person or an Affiliate or Associate of an Acquiring Person (as such terms are defined in the Rights Agreement). Accordingly, this Rights Certificate and the Rights represented hereby may become null and void in the circumstances specified in Section 7(e) of the Rights Agreement.

Section 5. Countersignature and Registration.

(a) The Rights Certificates shall be executed on behalf of the Company by its Chairman of the Board, its Vice Chairman of the Board, its President or any Vice President, either manually or by facsimile signature, and shall have affixed thereto the Company's seal or a facsimile thereof which shall be attested by the Secretary or an Assistant Secretary of the Company, either manually or by facsimile signature. The Rights Certificates shall be countersigned by the Rights Agent, either manually or by facsimile signature, and shall not be valid for any purpose unless so countersigned. In case any officer of the Company who shall have signed any of the Rights Certificates shall cease to be such officer of the Company before countersignature by the Rights Agent and issuance and delivery by the Company, such Rights Certificates, nevertheless, may be countersigned by the Rights Agent and issued and delivered by the Company with the same force and effect as though the person who signed such Rights Certificates had not Ceased to be such officer of the Company; and any Rights Certificates may be signed on behalf of the Company by any person who, at the actual date of the execution of such Rights Certificate, shall be a proper officer of the Company to sign such Rights Certificate, although at the date of the execution of this Rights Agreement any such person was not such an officer.

(b) Following the Distribution Date, the Rights Agent will keep, or cause to be kept, at its principal office or offices designated as the appropriate place for surrender of Rights Certificates upon exercise or transfer, books for registration and transfer of the Rights Certificates issued hereunder. Such books shall show the names and addresses of the respective holders of the Rights Certificates, the number of Rights represented on its face by each of the Rights Certificates and the date of each of the Rights Certificates.

Section 6. Transfer, Split-Up, Combination and Exchange of Rights Certificates; Mutilated, Destroyed, Lost or Stolen Rights Certificates.

(a) Subject to the provisions of Section 4(b), Section 7(e) and Section 14 hereof, at any time after the close of business on the Distribution Date, and at or prior to the close of business on the Expiration Date, any Rights Certificate or Certificates (other than Rights Certificates representing Rights that may have been exchanged pursuant to Section 24 hereof) may be transferred, split up, combined or exchanged for another Rights Certificate or Certificates, entitling the registered holder to purchase a like number of one one-hundredths of a share of Preferred Stock (or, following a Triggering Event, Common Stock, other securities, cash or other assets, as the case may be) as the Rights Certificate or Certificates surrendered then entitles such holder (or former holder in the case of a transfer) to purchase. Any registered holder desiring to transfer, split up, combine or exchange any Rights Certificate or Certificates shall make such request in writing delivered to the Rights Agent, and shall surrender the Rights Certificate or Certificates to be transferred, split up, combined or exchanged at the principal office or offices of the Rights Agent designated for such purpose. Neither the Rights Agent nor the Company shall be obligated to take any action whatsoever with respect to the transfer of any such surrendered Rights Certificate until the registered holder shall have completed and signed the certificate contained in the form of assignment on the reverse side of such Rights Certificate and shall have provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates thereof as the Company shall reasonably request. Thereupon the Rights Agent shall, subject to Section 4(b), Section 7(e), Section 14 hereof and Section 24 hereof, countersign and deliver to the Person entitled thereto a Rights Certificate or Rights Certificates, as the case may be, as so requested. The Company may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer, split up, combination or exchange of Rights Certificates.

(b) Upon receipt by the Company and the Rights Agent of evidence reasonably satisfactory to them of the loss, theft, destruction or mutilation of a Rights Certificate, and, in case of loss theft or destruction, of indemnity or security reasonably satisfactory to them, and reimbursement to the Company and the Rights Agent of all reasonable expenses incidental thereto, and upon surrender to the Rights Agent and cancellation of the Rights Certificate if mutilated, the Company will execute and deliver a new Rights Certificate of like tenor to the Rights Agent for countersignature and delivery to the registered owner in lieu of the Rights Certificate so lost, stolen, destroyed or mutilated.

Section 7. Exercise of Rights; Purchase Price; Expiration Date of Rights.

(a) Subject to Section 7(e) hereof, at any time after the Distribution Date the registered holder of any Rights Certificate may exercise the Rights represented thereby (except as otherwise provided herein including, without limitation, the restrictions on exercisability set forth in Section 9(c), Section 11 (a) (iii) and Section 23 (a) .hereof) in whole or in part upon surrender of the Rights Certificate, with the form of election to purchase and the certificate on the reverse side thereof duly executed, to the Rights Agent at the principal office or offices of the Rights Agent designated for such purpose, together with payment of the aggregate Purchase Price with respect to the total number of one one-hundredths of a share of Preferred Stock (or with respect to other securities, cash or other assets, as the case may be) as to which such surrendered Rights are then exercisable, at or prior to the earlier of (i) 5:00 P.M., New York City time, on December 19, 2016, or such later date as may be established by the Board of Directors prior to the expiration of the Rights (such date, as it may be extended by the Board, the ("Final Expiration Date"), or (ii) the time at which the Rights are redeemed or exchanged as provided in Section 23 and Section 24 hereof (the earlier of (i) and (ii) being herein referred to as the "Expiration Date").

(b) The Purchase Price for each one one-hundredth of a share of Preferred Stock pursuant to the exercise of a Right shall initially be $1,200.00, and shall be subject to adjustment from time to time as provided in Section 11 and Section 13(a) hereof and shall be payable in accordance with paragraph (c) below.

(c) Upon receipt of a Rights Certificate representing exercisable Rights, with the form of election to purchase and the certificate duly executed, accompanied by payment, with respect to each Right so exercised, of the Purchase Price per one one-hundredth of a share of Preferred Stock (or other shares, securities, cash or other assets, as the case may be) to be purchased as set forth below and an amount equal to any applicable transfer tax, the Rights Agent shall, subject to Section 20(k) hereof, thereupon promptly (i) (A) requisition from any transfer agent of the shares of Preferred Stock (or make available, if the Rights Agent is the transfer agent for such shares) certificates for the total number of one one-hundredths of a share of Preferred Stock to be purchased and the Company hereby irrevocably authorizes its transfer agent to comply with all such requests, or (B) if the Company shall have elected to deposit the total number of shares of Preferred Stock issuable upon exercise of the Rights hereunder with a depositary agent, requisition from the depositary agent depositary receipts representing such number of one one-hundredths of a share of

Preferred Stock as are to be purchased (in which case certificates for the shares of Preferred Stock represented by such receipts shall be deposited by the transfer agent with the depositary agent) and the Company will direct the depositary agent to comply with such request, (ii) requisition from the Company the amount of cash, if any, to be paid in lieu of fractional shares in accordance with Section 14 hereof, (iii) after receipt of such certificates or depositary receipts, cause the same to be delivered to or, upon the order of the registered holder of such Rights Certificate, registered in such name or names as may be designated by such holder, and (iv) after receipt thereof, deliver such cash, if any, to or upon the order of the registered holder of such Rights Certificate. The payment of the Purchase Price (as such amount may be reduced pursuant to Section 11(a) (iii) hereof) shall be made in cash or by certified bank check or bank draft payable to the order of the Company. In the event that the Company is obligated to issue other securities (including Common Stock) of the Company, pay cash and/or distribute other property pursuant to Section 11(a) hereof, the Company will make all arrangements necessary so that such other securities, cash and/or other property are available for distribution by the Rights Agent, if and when appropriate. The Company reserves the right to require prior to the occurrence of a Triggering Event that, upon any exercise of Rights, a number of Rights be exercised so that only whole shares of Preferred Stock would be issued.

(d) In case the registered holder of any Rights Certificate shall exercise less than all the Rights represented thereby, a new Rights Certificate representing Rights equivalent to the Rights remaining unexercised shall be issued by the Rights Agent and delivered to, or upon the order of, the registered holder of such Rights Certificate, registered in such name or names as may be designated by such holder, subject to the provisions of Section 14 hereof.

(e) Notwithstanding anything in this Agreement to the contrary, from and after the first occurrence of a Section 11(a) (ii) Event, any Rights beneficially owned by (i) an Acquiring Person or an Associate or Affiliate of an Acquiring Person, (ii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee after the Acquiring Person becomes such, or (iii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee prior to or concurrently with the Acquiring Person becoming such and receives such Rights pursuant to either (A) a transfer (whether or not for consideration) from the Acquiring Person to holders of equity interests in such Acquiring Person or to any Person with whom the Acquiring Person has any continuing agreement, arrangement or understanding regarding the transferred Rights or (B) a transfer which the Board of Directors of the Company has determined is part of a plan,

arrangement or understanding which has as a primary purpose or effect the avoidance of this Section 7(e), shall become null and void without any further action and no holder of such Rights shall have any rights whatsoever with respect to such Rights, whether under any provision 16 of this Agreement or otherwise. The Company shall use all reasonable efforts to insure that the provisions of this Section 7(e) and Section 4(b) hereof are complied with, but shall have no liability to any holder of Rights Certificates or any other Person as a result of its failure to make any determinations with respect to an Acquiring Person or its Affiliates, Associates or transferees hereunder.

(f) Notwithstanding anything in this Agreement to the contrary, neither the Rights Agent nor the Company shall be obligated to undertake any action with respect to a registered holder upon the occurrence of any purported exercise as set forth in this Section 7 unless such registered holder shall have (i) completed and signed the certificate contained in the form of election to purchase set forth on the reverse side of the Rights Certificate surrendered for such exercise, and (ii) provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates thereof as the Company shall reasonably request.

Section 8. Cancellation and Destruction of Rights Certificates.

All Rights Certificates surrendered for the purpose of exercise, transfer, split-up, combination or exchange shall, if surrendered to the Company or any of its agents, be delivered to the Rights Agent for cancellation or in cancelled form, or, if surrendered to the Rights Agent, shall be cancelled by it, and no Rights Certificates shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Agreement. The Company shall deliver to the Rights Agent for cancellation and retirement, and the Rights Agent shall so cancel and retire, any other Rights Certificate purchased or acquired by the Company otherwise than upon the exercise thereof. The Rights Agent shall deliver all cancelled Rights Certificates to the Company, or shall, at the written request of the Company, destroy such cancelled Rights Certificates, and in such case shall deliver a certificate of destruction thereof to the Company.

Section 9. Reservation and Availability of Capital Stock.

(a) The Company will cause to be reserved and kept available out of its authorized and unissued shares of Preferred Stock (and, following the occurrence of a Triggering Event, out of its authorized and unissued shares of Common Stock and/or other securities), the number of shares of Preferred Stock (and, following the occurrence of a Triggering Event, Common Stock

and/or other securities) that, as provided in this Agreement including Section 11 (a) (iii) hereof, will be sufficient to permit the exercise in full of all outstanding Rights.

(b) So long as the shares of Preferred Stock (and, following the occurrence of a Triggering Event, Common Stock and/or other securities) issuable and deliverable upon the exercise of the Rights may be listed on any national securities exchange, the Company may at its sole discretion attempt to cause, from and after such time as the Rights become exercisable, all shares reserved for such issuance to be listed on such exchange upon official notice of issuance upon such exercise.

(c) The Company shall use its best efforts to (i) file, as soon as practicable following the earliest date after the first occurrence of a Section 11 (a) (ii) Event on which the consideration to be delivered by the Company upon exercise of the Rights has been determined in accordance with Section 11(a) (iii) hereof, a registration statement under the Act, with respect to the securities purchasable upon exercise of the Rights on an appropriate form, (ii) cause such registration statement to become effective as soon as practicable after such filing, and (iii) cause such registration statement to remain effective (with a prospectus at all times meeting the requirements of the Act) until the earlier of (A) the date as of which the Rights are no longer exercisable for such securities, and (B) the date of the expiration of the Rights. The Company will also take such action as may be appropriate under, or to ensure compliance with, the securities or "blue sky" laws of the various states in connection with the exercisability of the Rights. The Company may temporarily suspend, for a 18 period of time not to exceed ninety (90) days after the date set forth in clause (i) of the first sentence of this Section 9 (c), the exercisability of the Rights in order to prepare and file such registration statement and permit it to become effective. Upon any such suspension, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension has been rescinded. In addition, if the Company shall determine that a registration statement is required following the Distribution Date, the Company may temporarily suspend the exercisability of the Rights until such time as a registration statement has been declared effective. Notwithstanding any provision of this Agreement to the contrary, the Rights shall not be exercisable in any jurisdiction if the requisite qualification in such jurisdiction shall not have been obtained, the exercise thereof shall not be permitted under applicable law, or a registration statement shall not have been declared effective.

(d) The Company will take all such action as may be necessary to ensure that all one one-hundredths of a share of

Preferred Stock (and, following the occurrence of a Triggering Event, Common Stock and/or other securities) delivered upon exercise of Rights shall, at the time of delivery of the certificates for such shares (subject to payment of the Purchase Price), be duly and validly authorized and issued and fully paid and nonassessable.

(e) The Company will pay when due and payable any and all federal and state transfer taxes and charges which may be payable in respect of the issuance or delivery of the Rights Certificates and of any certificates for a number of one one-hundredths of a share of Preferred Stock (or Common Stock and/or other securities, as the case may be) upon the exercise of Rights. The Company shall not, however, be required to pay any transfer tax which may be payable in respect of any transfer or delivery of Rights Certificates to a Person other than, or the issuance or delivery of a number of one one-hundredths of a share of Preferred Stock (or Common Stock and/or other securities, as the case may be) in respect of a name other than that of the registered holder of the Rights Certificates evidencing Rights surrendered for exercise or to issue or deliver any certificates for a number of one one-hundredths of a share of Preferred Stock (or Common Stock and/or other securities, as the case may be) in a name other than that of the registered holder upon the exercise of any Rights until such tax shall have been paid (any such tax being payable by the holder of such Rights Certificate at the time of surrender) or until it has been established to the Company's satisfaction that no such tax is due.

Section 10. Preferred Stock Record Date.

Each person in whose name any certificate for a number of one one-hundredths of a share of Preferred Stock (or Common Stock and/or other securities, as the case may be) is issued upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of such fractional shares of Preferred Stock (or Common Stock and/or other securities, as the case may be) represented thereby on, and such certificate shall be dated, the date upon which the Rights Certificate representing such Rights was duly surrendered and payment of the Purchase Price (and all applicable transfer taxes) was made; provided, however, that if the date of such surrender and payment is a date upon which the Preferred Stock (or Common Stock and/or other securities, as the case may be) transfer books of the Company are closed, such Person shall be deemed to have become the record holder of such shares (fractional or otherwise) on, and such certificate shall be dated, the next succeeding Business Day on which the Preferred Stock (or Common Stock and/or other securities, as the case may be) transfer books of the Company are open. Prior to the exercise of the Rights represented thereby,

the holder of a Rights Certificate shall not be entitled to any rights of a stockholder of the Company with respect to shares for which the Rights shall be exercisable, including, without limitation, the right to vote, to receive dividends or other distributions or to exercise any preemptive rights, and shall not be entitled to receive any notice of any proceedings of the Company, except as provided herein.

Section 11. Adjustment of Purchase Price, Number and Kind of Shares or Number of Rights.

The Purchase Price, the number and kind of shares covered by each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 11.

(a) (i) In the event the Company shall at any time after the date of this Agreement (A) declare a dividend on the Preferred Stock payable in shares of Preferred Stock, (B) subdivide the outstanding Preferred Stock, (C) combine the outstanding Preferred Stock into a smaller number of shares, or (D) issue any shares of its stock in a reclassification of the Preferred Stock (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), except as otherwise provided in this Section 11(a) and Section 7(e) hereof, the Purchase Price in effect at the time of the record date for such dividend or of the effective date of such subdivision, combination or reclassification, and the number and kind of shares of Preferred Stock or other stock, as the case may be, issuable on such date, shall be proportionately adjusted so that the holder of any Right exercised after such time shall be entitled to receive, upon payment of the Purchase Price then in effect, the aggregate number and kind of shares of Preferred Stock or other stock, as the case may be, which, if such Right had been exercised immediately prior to such date and at a time when the Preferred Stock transfer books of the Company were open, such holder would have owned upon such exercise and been entitled to receive by virtue of such dividend, subdivision, combination or reclassification. If an event occurs which would require an adjustment under both this Section 11 (a) (i) and Section 11 (a) (ii) hereof, the adjustment provided for in this Section 11(a) (i) shall be in addition to, and shall be made prior to, any adjustment required pursuant to Section 11(a) (ii) hereof.

(ii) In the event any Person shall, at any time after the Rights Dividend Declaration Date, become an Acquiring Person, unless the event causing such Person to become an Acquiring Person is a transaction set forth in Section 13(a) hereof, or is an acquisition of shares of Common Stock pursuant to a tender offer or an exchange

offer for all outstanding shares of Common Stock at a price and on terms determined by at least a majority of the members of the Board of Directors who are not officers of the Company and who are not representatives, nominees, Affiliates or Associates of an Acquiring Person, after receiving advice from one or more investment banking firms, to be (a) at a price which is fair to stockholders and not inadequate (taking into account all factors which such members of the Board deem relevant, including, without limitation, prices which could reasonably be achieved if the Company or its assets were sold on an orderly basis designed to realize maximum value) and (b) otherwise in the best interests of the Company and its stockholders (a "Qualified Offer") then, promptly following the occurrence of such event, proper provision shall be made so that each holder of a Right (except as provided below and in Section 7(e) hereof) shall thereafter have the right to receive, upon exercise thereof at the then current Purchase Price in accordance with the terms of this Agreement, in lieu of a number of one one-hundredths of a share of Preferred Stock, such number of shares of Common Stock of the Company as shall equal the result obtained by (x) multiplying the then current Purchase Price by the then number of one one-hundredths of a share of Preferred Stock for which a Right was exercisable immediately prior to the first occurrence of a Section 11 (a) (ii) Event, and *(y)* dividing that product (which, following such first occurrence, shall thereafter be referred to as the "Purchase Price" for each Right and for all purposes of this Agreement) by 50% of the Current Market Price (determined pursuant to Section 11(d) hereof) per share of Common Stock on the date of such first occurrence (such number of shares, the "Adjustment Shares").

(iii) In the event that the number of shares of Common Stock which are authorized by the Company's charter, but which are not outstanding or reserved for issuance for purposes other than upon exercise of the Rights, are not sufficient to permit the exercise in full of the Rights in accordance with the foregoing subparagraph (ii) of this Section 11(a), the Company shall (A) determine the value of the Adjustment Shares issuable upon the exercise of a Right (the "Current Value"), and (B) with respect to each Right (subject to Section 7(e) hereof), make adequate provision to substitute for the Adjustment Shares, upon the exercise of a Right and payment of the applicable Purchase Price, (1) cash, (2) a reduction in the Purchase Price, (3) Common Stock or other equity securities of the Company (including, without limitation, shares, or units of shares, of preferred stock, such as the Preferred Stock, which the Board has deemed to have essentially the same value or economic rights as shares of Common Stock (such

shares of preferred stock being referred to as "Common Stock Equivalents")), (4) debt securities of the Company, (5) other assets, or (6) any combination of the foregoing, having an aggregate value equal to the Current Value (less the amount of any reduction in the Purchase Price), where such aggregate value has been determined by the Board based upon the advice of a nationally recognized investment banking firm selected by the Board; provided, however, that if the Company shall not have made adequate provision to deliver value pursuant to clause (B) above within thirty (30) days following the later of (x) the first occurrence of a Section 11(a) (ii) Event and (y) the date on which the Company's right of redemption pursuant to Section 23(a) expires (the later of (x) and *(y)* being referred to herein as the Section 11(a) (ii) Trigger Date"), then the Company shall be obligated to deliver, upon the surrender for exercise of a Right and without requiring payment of the Purchase Price, shares of Common Stock (to the extent available) and then, if necessary, cash, which shares and/or cash have an aggregate value equal to the Spread. For purposes of the preceding sentence, the term "Spread" shall mean the excess of (i) the Current Value over (ii) the Purchase Price. If the Board determines in good faith that it is likely that sufficient additional shares of Common Stock could be authorized for issuance upon exercise in full of the Rights, the thirty (30) day period set forth above may be extended to the extent necessary, but not more than ninety (90) days after the Section 11(a) (ii) Trigger Date, in order that the Company may seek stockholder approval for the authorization of such additional shares (such thirty (30) day period, as it may be extended, is herein called the "Substitution period"). To the extent that action is to be taken pursuant to the first and/or third sentences of this Section 11 (a) (iii), the Company (1) shall provide, subject to Section 7(e) hereof, that such action shall apply uniformly to all outstanding Rights, and (2) may suspend the exercisability of the Rights until the expiration of the Substitution Period in order to seek such stockholder approval for such authorization of additional shares and/or to decide the appropriate form of distribution to be made pursuant to such first sentence and to determine the value thereof. In the event of any such suspension, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension is no longer in effect. For purposes of this Section 11(a) (iii), the value of each Adjustment Share shall be the current market price per share of the Common Stock on the Section 11 (a) (ii) "Trigger Date" and the per share or per unit value of any Common Stock Equivalent shall be deemed to equal the current market price per share of the

Common Stock on such date.

(b) In case the Company shall fix a record date for the issuance of rights, options or warrants to all holders of Preferred Stock entitling them to subscribe for or purchase (for a period expiring within forty-five (45) calendar days after such record date) Preferred Stock (or shares having the same rights, privileges and preferences as the shares of Preferred Stock ("Equivalent Preferred Stock")) or securities convertible into Preferred Stock or Equivalent Preferred Stock at a price per share of Preferred Stock or per share of Equivalent Preferred Stock (or having a conversion price per share, if a security convertible into Preferred Stock or Equivalent Preferred Stock) less than the Current Market Price (as determined pursuant to Section II(d) hereof) per share of Preferred Stock on such record date, the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the number of shares of Preferred Stock outstanding on such record date, plus the number of shares of Preferred Stock which the aggregate offering price of the total number of shares of Preferred Stock and/or Equivalent Preferred Stock so to be offered (and/or the aggregate initial conversion price of the convertible securities so to be offered) would purchase at such Current Market Price, and the denominator of which shall be the number of shares of Preferred Stock outstanding on such record date, plus the number of additional shares of Preferred Stock and/or Equivalent Preferred Stock to be offered for subscription or purchase (or into which the convertible securities so to be offered are initially convertible). In case such subscription price may be paid by delivery of consideration, part or all of which may be in a form other than cash, the value of such consideration shall be as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent and shall be binding on the Rights Agent and the holders of the Rights. Shares of Preferred Stock owned by or held for the account of the Company shall not be deemed outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed, and in the event that such rights or warrants are not so issued, the Purchase Price shall be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(c) In case the Company shall fix a record date for a distribution to all holders of Preferred Stock (including any such distribution made in connection with a consolidation or merger in which the Company is the

continuing or surviving corporation) of evidences of indebtedness, cash (other than a regular quarterly cash dividend out of the earnings or retained earnings of the Company), assets (other than a dividend payable in Preferred Stock, but including any dividend payable in stock other than Preferred Stock) or subscription rights or warrants (excluding those referred to in Section 11(b) hereof), the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the Current Market Price (as determined pursuant to Section 11(d) hereof) per share of Preferred Stock on such record date, less the fair market value (as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent) of the portion of the cash, assets or evidences of indebtedness so to be distributed or of such subscription rights or warrants applicable to a share of Preferred Stock, and the denominator of which shall be such Current Market Price (as determined pursuant to Section 11(d) hereof) per share of Preferred Stock. Such adjustments shall be made successively whenever such a record date is fixed, and in the event that such distribution is not so made, the Purchase Price shall be adjusted to be the Purchase Price which would have been in effect if such record date had not been fixed.

(d) (i) For the purpose of any computation hereunder, other than computations made pursuant to Section 11(a) (iii) hereof, the Current Market Price per share of Common Stock on any date shall be deemed to be the average of the daily closing prices per share of such Common Stock for the thirty (30) consecutive Trading Days immediately prior to such date, and for purposes of computations made pursuant to Section 11(a) (iii) hereof, the Current Market Price per share of Common Stock on any date shall be deemed to be the average of the daily closing prices per share of such Common Stock for the ten (10) consecutive Trading Days immediately following such date provided, however, that in the event that the Current Market Price per share of the Common Stock is determined during a period following the announcement by the issuer of such Common Stock of (A) a dividend or distribution on such Common Stock payable in shares of such Common Stock or securities convertible into shares of such Common Stock (other than the Rights) ,or (B) any subdivision, combination or reclassification of such Common Stock, and the ex-dividend date or such dividend or distribution, or the record date for such subdivision, combination or reclassification shall not have occurred prior to the commencement of the requisite thirty (30) Trading Day or ten (10) Trading Day period, as set forth above, then, and in each such case, the Current Market Price

shall be properly adjusted to take into account ex-dividend trading. The closing price for each day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the shares of Common Stock are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the shares of Common Stock are listed or admitted to trading or, if the shares of Common Stock are not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers Automated Quotation System ("NASDAQ") or such other system then in use, or, if on any such date the shares of Common Stock are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional marketer making a market in the Common Stock selected by the Board. If on any such date no market maker is making a market in the Common Stock, the fair value of such shares on such date as determined in good faith by the Board shall be used. The term "Trading Day" shall mean a day on which the principal national securities exchange on which the shares of Common Stock are listed or admitted to trading is open for the transaction of business or, if the shares of Common Stock are not listed or admitted to trading on any national securities exchange, a Business Day. If the Common Stock is not publicly held or not so listed or traded, Current Market Price per share shall mean the fair value per share as determined in good faith by the Board, whose determination shall be described in a statement filed with the Rights Agent and shall be conclusive for all purposes.

(ii) For the purpose of any computation hereunder, the Current Market Price per share of Preferred Stock shall be determined in the same manner as set forth above for the Common Stock in clause (i) of this Section 11 (d) (other than the last sentence thereof) . If the Current Market Price per share of Preferred Stock cannot be determined in the manner provided above or if the Preferred Stock is not publicly held or listed or traded in a manner described in clause (i) of this Section 11(d), the Current Market Price per share of Preferred Stock shall be conclusively deemed to be an amount equal to 100 (as such number may be appropriately adjusted for such events as

stock splits, stock dividends and recapitalizations with respect to the Common Stock occurring after the date of this Agreement) multiplied by the Current Market Price per share of the Common Stock. If neither the Common Stock nor the Preferred Stock is publicly held or so listed or traded, Current Market Price per share of the Preferred Stock shall mean the fair value per share as determined in good faith by the Board, whose determination shall be described in a statement filed with the Rights Agent and shall be conclusive for all purposes. For all purposes of this Agreement, the Current Market Price of a unit, consisting of one one-hundredth of a share of Preferred Stock, shall be equal to the Current Market Price of one share of Preferred Stock divided by 100.

(e) Anything herein to the contrary notwithstanding, no adjustment in the Purchase Price shall be required unless such adjustment would require an increase or decrease of at least one percent (1%) in the Purchase Price; provided, however, that any adjustments which by reason of this Section 11(e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 11 shall be made to the nearest cent or to the nearest ten-thousandth of a share of Common Stock or other share or one-millionth of a share of Preferred Stock, as the case may be. Notwithstanding the first sentence of this Section 11(e), any adjustment required by this Section 11 shall be made no later than the earlier of (i) three (3) years from the date of the transaction which mandates such adjustment, or (ii) the Expiration Date.

(f) If as a result of an adjustment made pursuant to Section 11(a) (ii) or Section 13(a) hereof, the holder of any Right thereafter exercised shall become entitled to receive any shares of capital stock other than Preferred Stock, thereafter the number of such other shares so receivable upon exercise of any Right and the Purchase Price thereof shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Preferred Stock contained in Sections 11 (a), (b), (c) (e) (g), (h), (i), (j), (k) and (m), and the provisions of Sections 7, 9, 10, 13 and 14 hereof with respect to the Preferred Stock shall apply on like terms to any such other shares.

(g) All Rights originally issued by the Company subsequent to any adjustment made to the Purchase Price hereunder shall evidence the right to purchase, at the adjusted Purchase Price, the number of one one-hundredths of

a share of Preferred Stock purchasable from time to time hereunder upon exercise of the Rights, all subject to further adjustment as provided herein.

(h) Unless the Company shall have exercised its election as provided in Section 11(i), upon each adjustment of the Purchase Price as a result of the calculations made in Sections 11(b) and (c), each Right outstanding immediately prior to the making of such adjustment shall thereafter evidence the right to purchase, at the adjusted Purchase Price, that number of one one-hundredths of a share of Preferred Stock (calculated to the nearest one-millionth) obtained by (i) multiplying (x) the number of one one-hundredths of a share covered by a Right immediately prior to this adjustment, by (y) the Purchase Price in effect immediately prior to such adjustment of the Purchase Price, and (ii) dividing the product so obtained by the Purchase Price in effect immediately after such adjustment of the Purchase Price.

(i) The Company may elect on or after the date of any adjustment of the Purchase Price to adjust the number of Rights, in lieu of any adjustment in the number of one one-hundredths of a share of Preferred Stock purchasable upon the exercise of a Right. Each of the Rights outstanding after the adjustment in the number of Rights shall be exercisable for the number of one one-hundredths of a share of Preferred Stock for which a Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights shall become that number of Rights (calculated to the nearest one-ten-thousandth) obtained by dividing the Purchase Price in effect immediately prior to adjustment of the Purchase Price by the Purchase Price in effect immediately after adjustment of the Purchase Price. The Company shall make a public announcement of its election to adjust the number of Rights, indicating the record date for the adjustment, and, if known at the time, the amount of the adjustment to be made. This record date may be the date on which the Purchase Price is adjusted or any day thereafter, but, if the Rights Certificates have been issued, shall be at least ten (10) days later than the date of the public announcement. If Rights Certificates have been issued, upon each adjustment of the number of Rights pursuant to this Section 11(i), the Company shall, as promptly as practicable, cause to be distributed to holders of record of Rights Certificates on such record date Rights Certificates representing, subject to Section 14 hereof, the additional Rights to which such holders shall be entitled as a result of such adjustment, or, at the option of the Company, shall cause to be distributed to such holders of record in

substitution and replacement for the Rights Certificates held by such holders prior to the date of adjustment, and upon surrender thereof, if required by the Company, new Rights Certificates representing all the Rights to which such holders shall be entitled after such adjustment. Rights Certificates so to be distributed shall be issued, executed and countersigned in the manner provided for herein (and may bear, at the option of the Company, the adjusted Purchase Price) and shall be registered in the names of the holders of record of Rights Certificates on the record date specified in the public announcement.

(j) Irrespective of any adjustment or change in the Purchase Price or the number of one one-hundredths of a share of Preferred Stock issuable upon the exercise of the Rights, the Rights Certificates theretofore and thereafter issued may continue to express the Purchase Price per one one-hundredth of a share and the number of one one-hundredth of a share which were expressed in the initial Rights Certificates issued hereunder.

(k) Before taking any action that would cause an adjustment reducing the Purchase Price below the then stated value, if any, of the number of one one-hundredths of a share of Preferred Stock issuable upon exercise of the Rights, the Company shall take any corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue fully paid and nonassessable such number of one one-hundredths of a share of Preferred Stock at such adjusted Purchase Price.

(l) In any case in which this Section 11 shall require that an adjustment in the Purchase Price be made effective as of a record date for a specified event, the Company may elect to defer until the occurrence of such event the issuance to the holder of any Right exercised after such record date the number of one one-hundredths of a share of Preferred Stock and other stock or securities of the Company, if any, issuable upon such exercise over and above the number of one one-hundredths of a share of Preferred Stock and other stock or securities of the Company, if any, issuable upon such exercise on the basis of the Purchase Price in effect prior to such adjustments provided, however, that the Company shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional shares (fractional or otherwise) or securities upon the occurrence of the event requiring such adjustment.

(m) Anything in this Section 11 to the contrary

notwithstanding, the Company shall be entitled to make such reductions in the Purchase Price, in addition to those adjustments expressly required by this Section 11, as and to the extent that in their good faith judgment the Board of Directors of the Company shall determine to be advisable in order that any (i) consolidation or subdivision of the Preferred Stock, (ii) issuance wholly for cash of any shares of Preferred Stock at less than the Current Market Price, (iii) issuance wholly for cash of shares of Preferred Stock or securities which by their terms are convertible into or exchangeable for shares of Preferred Stock, (iv) stock dividends or (v) issuance of rights, options or warrants referred to in this Section 11, hereafter made by the Company to holders of its Preferred Stock shall not be taxable to such stockholders.

(n) The Company shall not, at any time after the Distribution Date, (i) consolidate with any other Person (other than a Subsidiary of the Company in a transaction which complies with Section 11(0) hereof), (ii) merge with or into any other Person (other than a Subsidiary of the Company in a transaction which complies with Section 11(0) hereof), or (iii) sell or transfer (or permit any Subsidiary to sell or transfer), in one transaction, or a series of related transactions, assets, cash flow or earning power aggregating more than 50% of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to any other Person or Persons (other than the Company and/or any of its Subsidiaries in one or more transactions each of which complies with Section 11(0) hereof), if (x) at the time of or immediately after such consolidation, merger or sale there are any rights, warrants or other instruments or securities outstanding or agreements in effect which would substantially diminish or otherwise eliminate the benefits intended to be afforded by the Rights or *(y)* prior to, simultaneously with or immediately after such consolidation, merger or sale, the shareholders of the Person who constitutes, or would constitute, the "Principal Party" for purposes of Section 13(a) hereof shall have received a distribution of Rights previously owned by such Person or any of its Affiliates and Associates.

(o) After the Distribution Date, the Company will not, except as permitted by Section 23, Section 24 or Section 27 hereof, take (or permit any Subsidiary to take) any action if at the time such action is taken it is reasonably foreseeable that such action will diminish substantially or otherwise eliminate the benefits intended to be afforded by the Rights.

(p) Anything in this Agreement to the contrary notwithstanding, in the event that the Company shall at any time after the Rights Dividend Declaration Date and prior to the Distribution Date (i) declare a dividend on the outstanding shares of Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding shares of Common Stock, or (iii) combine the outstanding shares of Common Stock into a smaller number of shares, the number of Rights associated with each share of Common Stock then outstanding, or issued or delivered thereafter but prior to the Distribution Date, shall be proportionately adjusted so that the number of Rights thereafter associated with each share of Common Stock following any such event shall equal the result obtained by multiplying the number of Rights associated with each share of Common Stock immediately prior to such event by a fraction the numerator which shall be the total number of shares of Common Stock outstanding immediately prior to the occurrence of the event and the denominator of which shall be the total number of shares of Common Stock outstanding immediately following the occurrence of such event.

Section 12. Certificate of Adjusted Purchase Price or Number of Shares.

Whenever an adjustment is made as provided in Section 11 and Section 13 hereof, the Company shall (a) promptly prepare a certificate setting forth such adjustment and a brief statement of the facts accounting for such adjustment, (b) promptly file with the Rights Agent, and with each transfer agent for the Preferred Stock and the Common Stock, a copy of such certificate and (c) if a Distribution Date has occurred, mail a brief summary thereof to each holder of a Rights Certificate in accordance with Section 27 hereof. The Rights Agent shall be fully protected in relying on any such certificate and on any adjustment therein contained.

Section 13. Consolidation, Merger or Sale or Transfer of Assets, Cash Flow or Earning Power.

(a) In the event that, following the Stock Acquisition Date, directly or indirectly, (x) the Company shall consolidate with, or merge with and into, any other Person (other than a Subsidiary of the Company in a transaction which complies with Section 11(0) hereof), and the Company shall not be the continuing or surviving corporation of such consolidation or merger, (y) any Person (other than a Subsidiary of the Company in a transaction which complies with Section 11(0) hereof) shall consolidate with, or merge with or into, the Company, and the Company shall be the continuing or surviving corporation of such consolidation or merger and, in connection

with such consolidation or merger, all or part of the outstanding shares of Common Stock shall be changed into or exchanged for stock or other securities of any other Person or cash or any other property, or (z) the Company shall sell or otherwise transfer (or one or more of its Subsidiaries shall sell or otherwise transfer), in one transaction or a series of related transactions, assets, cash flow or earning power aggregating more than 50% of the assets, cash flow or earning power of the Company and its Subsidiaries (taken as a whole) to any Person or Persons (other than the Company or any Subsidiary of the Company in one or more transactions each of which complies with Section 11(0) hereof), then, and in each such case (except as may be contemplated by Section 13(d) hereof), proper provision shall be made so that: (i) each holder of a Right, except as provided in Section 7(e) hereof, shall thereafter have the right to receive, upon the exercise thereof at the then current Purchase Price in accordance with the terms of this Agreement, such number of validly authorized and issued, fully paid, non-assessable and freely tradeable shares of Common Stock of the Principal Party (as such term is hereinafter defined), not subject to any liens, encumbrances, rights of first refusal or other adverse claims, as shall be equal to the result obtained by (1) multiplying the then current Purchase Price by the number of one one-hundredths of a share of Preferred Stock for which a Right is exercisable immediately prior to the first occurrence of a Section 13 Event (or, if a Section 11(a) (ii) Event has occurred prior to the first occurrence of a Section 13 Event, multiplying the number of such one one-hundredths of a share for which a Right was exercisable immediately prior to the first occurrence of a Section 11(a) (ii) Event by the Purchase Price in effect immediately prior to such first occurrence), and dividing that product (which, following the first occurrence of a Section 13 Event, shall be referred to as the "Purchase Price" for each Right and for all purposes of this Agreement) by (2) 50% of the Current Market Price (determined pursuant to Section 11(d) (i) hereof) per share of the Common Stock of such Principal Party on the date of consummation of such Section 13 Event; (ii) such Principal Party shall thereafter be liable for, and shall assume, by virtue of such Section 13 Event, all the obligations and duties of the Company pursuant to this Agreement; (iii) the term "Company" shall thereafter be deemed to refer to such Principal Party, it being specifically intended that the provisions of Section 11 hereof shall apply only to such Principal Party following the first occurrence of a Section 13 Event; (iv) such Principal Party shall take such steps (including, but not limited to, the reservation of a sufficient number of shares of its Common Stock) in connection with the consummation of any such transaction as may be necessary to assure that the provisions hereof shall thereafter be applicable, as nearly as reasonably may be, in relation to its shares of Common Stock thereafter deliverable upon the exercise

of the Rights; and (v) the provisions of Section 11(a) (ii) hereof shall be of no effect following the first occurrence of any Section 13 Event.

(b) "Principal Party" shall mean:

(i) in the case of any transaction described in clause (x) or (y) of the first sentence of Section 13(a), the Person that is the issuer of any securities into which shares of Common Stock of the Company are converted in such merger or consolidation, and if no securities are so issued, the Person that is the other party to such merger or consolidation; and

(ii) in the case of any transaction described in clause (z) of the first sentence of Section 13(a), the Person that is the party receiving the greatest portion of the assets, cash flow or earning power transferred pursuant to such transaction or transactions; provided, however, that in any such case, (1) if the Common Stock of such Person is not at such time and has not been continuously over the preceding twelve (12) month period registered under Section 12 of the Exchange Act, and such Person is a direct or indirect Subsidiary of another Person the Common Stock of which is and has been so registered, "Principal Party" shall refer to such other Person; and (2) in case such Person is a Subsidiary, directly or indirectly, of more than one Person, the Common Stocks of two or more of which are and have been so registered, "Principal Party" shall refer to whichever of such Persons is the issuer of the Common Stock having the greatest aggregate market value.

(c) The Company shall not consummate any such consolidation, merger, sale or transfer unless the Principal Party shall have a sufficient number of authorized shares of its Common Stock which have not been issued or reserved for issuance to permit the exercise in full of the Rights in accordance with this Section 13 and unless prior thereto the Company and such Principal Party shall have executed and delivered to the Rights Agent a supplemental agreement providing for the terms set forth in paragraphs (a) and (b) of this Section 13 and further providing that, as soon as practicable after the date of any consolidation, merger or sale of assets mentioned in paragraph (a) of this Section 13, the Principal Party will:

(i) prepare and file a registration statement under the Act, with respect to the Rights and the securities purchasable upon exercise of the Rights on an appropriate form, and will use its best efforts to cause such registration statement to (A) become effective as soon as practicable after such filing and (B) remain effective (with a prospectus at all times meeting the requirements of the Act) until the Expiration Date; and

(ii) take all such other action as may be

necessary to enable the Principal Party to issue the securities purchasable upon exercise of the Rights, including but not limited to the registration or qualification of such securities under all requisite securities laws of jurisdictions of the various states and the listing of such securities on such exchanges and trading markets as may be necessary or appropriate; and

(iii) will deliver to holders of the Rights historical financial statements for the Principal Party and each of its Affiliates which comply in all respects with the requirements for registration on Form 10 under the Exchange Act.

The provisions of this Section 13 shall similarly apply to successive mergers or consolidations or sales or other transfers. In the event that a Section 13 Event shall occur at any time after the occurrence of a Section 11(a) (ii) Event, the Rights which have not theretofore been exercised shall thereafter become exercisable in the manner described in Section 13(a).

(d) Notwithstanding anything in this Agreement to the contrary, Section 13 shall not be applicable to a transaction described in subparagraphs (x) and (y) of Section 13(a) if (i) such transaction is consummated with a Person or Persons who acquired shares of Common Stock pursuant to a tender offer or exchange offer for all outstanding shares of Common Stock which is a Qualified Offer as such term is defined in Section 11(a) (ii) hereof (or a wholly owned subsidiary of any such Person or Persons), (ii) the price per share of Common Stock offered in such transaction is not less than the price per share of Common Stock paid to all holders of shares of Common Stock whose shares were purchased pursuant to such tender offer or exchange offer and (iii) the form of consideration being offered to the remaining holders of shares of Common Stock pursuant to such transaction is the same as the form of consideration paid pursuant to such tender offer or exchange offer. Upon consummation of any such transaction contemplated by this Section 13(d), all Rights hereunder shall expire.

Section 14. Fractional Rights and Fractional Shares.

(a) The Company shall not be required to issue fractions of Rights, except prior to the Distribution Date as provided in Section 11(p) hereof, or to distribute Rights Certificates which represent fractional Rights. In lieu of such fractional Rights, the Company shall pay to the registered holders of the Rights Certificates with regard to which such fractional Rights would otherwise be issuable, an amount in cash equal to the same fraction of the current market value of a whole Right. For purposes of this Section 14(a), the current market value of a whole Right shall be the closing price of the Rights

for the Trading Day immediately prior to the date on which such fractional Rights would have been otherwise issuable. The closing price of the Rights for any day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Rights are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Rights are listed or admitted to trading, or if the Rights are not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by NASDAQ or such other system then in use or, if on any such date the Rights are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Rights, selected by the Board of Directors of the Company. If on any such date no such market maker is making a market in the Rights, the fair value of the Rights on such date as determined in good faith by the Board of Directors of the Company shall be used.

(b) The Company shall not be required to issue fractions of shares of Preferred Stock (other than fractions which are integral multiples of one one-hundredth of a share of Preferred Stock) upon exercise of the Rights or to distribute certificates which represent fractional shares of Preferred Stock (other than fractions which are integral multiples of one one-hundredth of a share of Preferred Stock). In lieu of fractional shares of Preferred Stock that are not integral multiples of one one-hundredth of a share of Preferred Stock, the Company may pay to the registered holders of Rights Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fraction of the current market value of one one-hundredth of a share of Preferred Stock. For purposes of this Section 14(b), the current market value of one one-hundredth of a share of Preferred Stock shall be one one-hundredth of the closing price of a share of Preferred Stock (as determined pursuant to Section 11(d)(ii) hereof) for the Trading Day immediately prior to the date of such exercise.

(c) Following the occurrence of a Triggering Event, the Company shall not be required to issue fractions of shares of Common Stock upon exercise of the Rights or to distribute certificates which represent fractional shares of Common Stock. In lieu of fractional shares of Common Stock, the Company may pay to the registered holders of Rights Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fraction of the current market value of one (1) share

of Common Stock. For purposes of this Section 14(c), the current market value of one share of Common Stock shall be the closing price of one share of Common Stock (as determined pursuant to Section 11(d) (i) hereof) for the Trading Day immediately prior to the date of such exercise.

(d) The holder of a Right by the acceptance of the Rights expressly waives his right to receive any fractional Rights or any fractional shares upon exercise of a Right, except as permitted by this Section 14.

Section 15. Rights of Action.

All rights of action in respect of this Agreement are vested in the respective registered holders of the Rights Certificates (and, prior to the Distribution Date, the registered holders of the Common Stock) and any registered holder of any Rights Certificate (or, prior to the Distribution Date, of the Common Stock), without the consent of the Rights Agent or of the holder of any other Rights Certificate (or, prior to the Distribution Date, of the Common Stock), may, in his own behalf and for his own benefit, enforce, and may institute and maintain any suit, action or proceeding against the Company to enforce, or otherwise act in respect of, his right to exercise the Rights represented by such Rights Certificate in the manner provided in such Rights Certificate and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and shall be entitled to specific performance of the obligations hereunder and injunctive relief against actual or threatened violations of the obligations hereunder of any Person subject to this Agreement.

Section 16. Agreement of Rights Holders.

Every holder of a Right by accepting the same consents and agrees with the Company and the Rights Agent and with every other holder of a Right that:

(a) prior to the Distribution Date, the Rights will be transferable only in connection with the transfer of Common Stock;

(b) after the Distribution Date, the Rights Certificates are transferable only on the registry books of the Rights Agent if surrendered at the principal office or offices of the Rights Agent designated for such purposes, duly endorsed or accompanied by a proper instrument of transfer and with the appropriate forms and certificates fully executed;

(c) subject to Section 6(a) and Section 7(f) hereof, the Company and the Rights Agent may deem and treat the person in

whose name a Rights Certificate (or, prior to the Distribution Date, the associated Common Stock certificate) is registered as the absolute owner thereof and of the Rights represented thereby (notwithstanding any notations of ownership or writing on the Rights Certificates or the associated Common Stock certificate made by anyone other than the Company or the Rights Agent) for all purposes whatsoever, and neither the Company nor the Rights Agent, subject to the last sentence of Section 7(e) hereof, shall be required to be affected by any notice to the contrary; and (d) notwithstanding anything in this Agreement to the contrary, neither the Company nor the Rights Agent shall have any liability to any holder of a Right or other Person as a result of its inability to perform any of its obligations under this Agreement by reason of any preliminary or permanent injunction or other order, decree or ruling issued by a court of competent jurisdiction or by a governmental, regulatory or administrative agency or commission, or any statute, rule, regulation or executive order promulgated or enacted by any governmental authority, prohibiting or otherwise restraining performance of such obligation; provided, however, the Company must use its best efforts to have any such order, decree or ruling lifted or otherwise overturned as soon as possible.

Section 17. Rights Certificate Holder Not Deemed a Stockholder.

No holder, as such, of any Rights Certificate shall be entitled to vote, receive dividends or be deemed for any purpose the holder of the number of one one-hundredths of a share of Preferred Stock or any other securities of the Company which may at any time be issuable on the exercise of the Rights represented thereby, nor shall anything contained herein or in any Rights Certificate be construed to confer upon the holder of any Rights Certificate, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders (except as provided in Section 25 hereof), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by such Rights Certificate shall have been exercised in accordance with the provisions hereof.

Section 18. Concerning the Rights Agent.

(a) The Company agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and

disbursements and other disbursements incurred in the administration and execution of this Agreement and the exercise and performance of its duties hereunder. The Company also agrees to indemnify the Rights Agent for, and to hold it harmless against, any loss, liability, or expense, incurred without negligence or willful misconduct on the part of the Rights Agent, for anything done or omitted by the Rights Agent in connection with the acceptance and administration of this Agreement, including the costs and expenses of defending against any claim of liability in the premises.

(b) The Rights Agent shall be protected and shall incur no liability for or in respect of any action taken, suffered or omitted by it in connection with its administration of this Agreement in reliance upon any Rights Certificate or certificate for Common Stock or for other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement, or other paper or document believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper Person or Persons.

Section 19. Merger or Consolidation or Change of Name of Rights Agent.

(a) Any corporation into which the Rights Agent or any successor Rights Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent shall be a party, or any corporation succeeding to the corporate trust, stock transfer or other shareholder services business of the Rights Agent or any successor Rights Agent, shall be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto; but only if such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 21 hereof. In case at the time such successor Rights Agent shall succeed to the agency created by this Agreement, any of the Rights Certificates shall have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of a predecessor Rights Agent and deliver such Rights Certificates so countersigned; and in case at that time any of the Rights Certificates shall not have been countersigned, any successor Rights Agent may countersign such Rights Certificates either in the name of the predecessor or in the name of the successor Rights Agent; and in all such cases such Rights Certificates shall have the full force provided in the Rights Certificates and in this Agreement.

(b) In case at any time the name of the Rights Agent shall be changed and at such time any of the Rights Certificates

shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Rights Certificates so countersigned; and in case at that time any of the Rights Certificates shall not have been countersigned, the Rights Agent may countersign such Rights Certificates either in its prior name or in its changed name; and in all such cases such Rights Certificates shall have the full force provided in the Rights Certificates and in this Agreement.

Section 20. Duties of Rights Agent.

The Rights Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Company and the holders of Rights Certificates, by their acceptance thereof, shall be bound:

(a) The Rights Agent may consult with legal counsel (who may be legal counsel for the Company) , and the opinion of such counsel shall be full and complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith and in accordance with such opinion.

(b) Whenever in the performance of its duties under this Agreement the Rights Agent shall deem it necessary or desirable that any fact or matter (including, without limitation, the identity of any Acquiring Person and the determination of Current Market Price) be proved or established by the Company prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by the Chairman of the Board, the Vice Chairman of the Board, the Chief Executive Officer, the President, any Vice President, the Treasurer, any Assistant Treasurer, the Secretary or any Assistant Secretary of the Company and delivered to the Rights Agent; and such certificate shall be full authorization to the Rights Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.

(c) The Rights Agent shall be liable hereunder only for its own negligence, bad faith or willful misconduct; provided, however, that Rights Agent shall not be liable for special, consequential or indirect damages.

(d) The Rights Agent shall not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the Rights Certificates or be required to verify the same (except as to its countersignature on such Rights Certificates), but all such statements and recitals are and shall be deemed to have been made by the Company only.

(e) The Rights Agent shall not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due execution hereof by the Rights Agent) or in respect of the validity or execution of any Rights Certificate (except its countersignature thereof); nor shall it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Rights Certificate; nor shall it be responsible for any adjustment required under the provisions of Section 11, Section 13 or Section 24 hereof or responsible for the manner, method or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of Rights represented by Rights Certificates after actual notice of any such adjustment); nor shall it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any shares of Common Stock or Preferred Stock to be issued pursuant to this Agreement or any Rights Certificate or as to whether any shares of Common Stock or Preferred Stock will, when so issued, be validly authorized and issued, fully paid and nonassessable.

(f) The Company will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.

(g) The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from the Chairman of the Board, the Vice Chairman of the Board, the Chief Executive Officer, the President, any Vice President, the Secretary, any Assistant Secretary, the Treasurer or any Assistant Treasurer of the Company, and to apply to such officers for advice or instructions in connection with its duties, and it shall not be liable for any action taken or suffered to be taken by it in good faith in accordance with instructions of any such officer.

(h) The Rights Agent and any stockholder, director, officer or employee of the Rights Agent may buy, sell or deal in any of the Rights or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Company or for any other legal entity.

(i) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty

hereunder either itself or by or through its attorneys or agents, and the Rights Agent shall not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Company resulting from any such act, default, neglect or misconduct; provided, however, reasonable care was exercised in the selection and continued employment thereof.

(j) No provision of this Agreement shall require the Rights Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of its rights if there shall be reasonable grounds for believing that repayment of such funds or adequate indemnification against such risk or liability is not reasonably assured to it.

(k) If, with respect to any Rights Certificate surrendered to the Rights Agent for exercise or transfer, the certificate attached to the form of assignment or form of election to purchase, as the case may be, has either not been completed or indicates an affirmative response to clause 1 and/or 2 thereof, the Rights Agent shall not take any further action with respect to such requested exercise or transfer without first consulting with the Company.

Section 21. Change of Rights Agent.

The Rights Agent or any successor Rights Agent may resign and be discharged from its duties under this Agreement upon thirty (30) days' notice in writing mailed to the Company, and to each transfer agent of the Common Stock and Preferred Stock, by registered or certified mail, and, if such resignation occurs after the Distribution Date, to the registered holders of the Rights Certificates by first-class mail. The Company may remove the Rights Agent or any successor Rights Agent upon thirty (30) days' notice in writing, mailed to the Rights Agent or successor Rights Agent, as the case may be, and to each transfer agent of the Common Stock and Preferred Stock, by registered or certified mail, and, if such removal occurs after the Distribution Date, to the holders of the Rights Certificates by first-class mail. If the Rights Agent shall resign or be removed or shall otherwise become incapable of acting, the Company shall appoint a successor to the Rights Agent. If the Company shall fail to make such appointment within a period of thirty (30) days after giving notice of such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of a Rights Certificate (who shall, with such notice, submit his Rights Certificate for inspection by the Company), then any registered holder of any Rights Certificate may apply to any court of

competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Company or by such a court, shall be a legal business entity organized and doing business under the laws of the United States or of any state of the United States, in good standing, having an office in the State of New York, which is authorized under such laws to exercise corporate trust or stock transfer or shareholder services powers and which has at the time of its appointment as Rights Agent a combined capital and surplus of at least $50,000,000 or (b) an affiliate of a legal business entity described in clause (a) of this sentence. After appointment, the successor Rights Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment, the Company shall file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Common Stock and the Preferred Stock, and, if such appointment occurs after the Distribution Date, mail a notice thereof in writing to the registered holders of the Rights Certificates. Failure to give any notice provided for in this Section 21, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

Section 22. Issuance of New Rights Certificates.

Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Company may, at its option, issue new Rights Certificates representing Rights in such form as may be approved by the Board of Directors to reflect any adjustment or change in the Purchase Price and the number or kind or class of shares or other securities or property purchasable under the Rights Certificates made in accordance with the provisions of this Agreement. In addition, in connection with the issuance or sale of shares of Common Stock following the Distribution Date and prior to the redemption or expiration of the Rights, the Company (a) shall, with respect to shares of Common Stock so issued or sold pursuant to the exercise of stock options or under any employee plan or arrangement, granted or awarded as of the Distribution Date, or upon the exercise, conversion or exchange of securities hereinafter issued by the Company, and (b) may, in any other case, if deemed necessary or appropriate by the Board of Directors of the Company, issue Rights Certificates representing the appropriate number of Rights in connection with such issuance or sale; provided, however, that

(i) no such Rights Certificate shall be issued if, and to the extent that, the Company shall be advised by counsel that such issuance would create a significant risk of material adverse tax consequences to the Company or the Person to whom such Rights Certificate would be issued, and (ii) no such Rights Certificate shall be issued if, and to the extent that, appropriate adjustment shall otherwise have been made in lieu of the issuance thereof.

Section 23. Redemption and Termination.

(a) The Company may, at its option, at any time prior to the earlier of (i) the close of business on the tenth day following the Stock Acquisition Date (or, if the Stock Acquisition Date shall have occurred prior to the Record Date, the close of business on the tenth day following the Record Date), or (ii) the Final Expiration Date, redeem all but not less than all of the then outstanding Rights at a redemption price of $.01 per Right, as such amount may be appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such redemption price being hereinafter referred to as the "Redemption Price"). Notwithstanding anything contained in this Agreement to the contrary, the Rights shall not be exercisable after the first occurrence of a Section 11(a) (ii) Event until such time as the Company's right of redemption hereunder has expired. The Company may, at its option, pay the Redemption Price in cash, shares of Common Stock (based on the Current Market Price, as defined in Section 11(d) (i) hereof, of the Common Stock at the time of redemption) or any other form of consideration deemed appropriate by the Board of Directors.

(b) Immediately upon the action of the Board of Directors of the Company authorizing the redemption of the Rights, evidence of which shall have been filed with the Rights Agent and without any further action and without any notice, the right to exercise the Rights will terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price for each Right so held. Promptly after the action of the Board of Directors authorizing the redemption of the Rights, the Company shall give notice of such redemption to the Rights Agent and the holders of the then outstanding Rights by mailing such notice to all such holders at each holder's last address as it appears upon the registry books of the Rights Agent or, prior to the Distribution Date, on the registry books of the transfer agent for the Common Stock. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of redemption will state the method by which the payment of the Redemption Price will be made.

Section 24. Exchange.

(a) The Company may, at its option, at any time after any Person becomes an Acquiring Person, exchange all or part of the then outstanding and exercisable Rights (which shall not include Rights that have become void pursuant to the provisions of Section 7(e) hereof) for Common Stock at an exchange ratio of one share of Common Stock per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such exchange ratio being hereinafter referred to as the "Exchange Ratio"). Notwithstanding the foregoing, the Company shall not be empowered to effect such exchange at any time after any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or any such Subsidiary, or any entity holding Common Stock for or pursuant to the terms of any such plan), together with all Affiliates and Associates of such Person, becomes the Beneficial Owner of 50% or more of the Common Stock then outstanding.

(b) Immediately upon the action of the Board of Directors of the Company authorizing the exchange of any Rights pursuant to subsection (a) of this Section 24 and without any further action and without any notice, the right to exercise such Rights shall terminate and the only right thereafter of a holder of such Rights shall be to receive that number of shares of Common Stock equal to the number of such Rights held by such holder multiplied by the Exchange Ratio. The Company shall promptly give public notice of any such exchange; provided, however, that the failure to give, or any defect in, such notice shall not affect the validity of such exchange. The Company promptly shall mail a notice of any such exchange to all of the holders of such Rights at their last addresses as they appear upon the registry books of the Rights Agent. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of exchange will state the method by which the exchange of the Common Stock for Rights will be effected and, in the event of any partial exchange, the number of Rights which will be exchanged. Any partial exchange shall be effected pro rata based on the number of Rights (other than Rights which have become void pursuant to the provisions of Section 7(e) hereof) held by each holder of Rights.

(c) In any exchange pursuant to this Section 24, the Company, at its option, may substitute Preferred Stock (or Equivalent Preferred Stock, as such term is defined in paragraph (b) of Section 11 hereof) for Common Stock exchangeable for Rights, at the initial rate of one one-hundredth of a share of Preferred Stock (or Equivalent Preferred Stock) for each share of Common Stock, as appropriately adjusted to reflect stock

splits, stock dividends and other similar transactions after the date hereof.

(d) In the event that there shall not be sufficient shares of Common Stock issued but not outstanding or authorized but unissued to permit any exchange of Rights as contemplated in accordance with this Section 24, the Company shall take all such action as may be necessary to authorize additional shares of Common Stock for issuance upon exchange of the Rights.

(e) The Company shall not be required to issue fractions of shares of Common Stock or to distribute certificates which represent fractional shares of Common Stock. In lieu of such fractional shares of Common Stock, there shall be paid to the registered holders of the Rights Certificates with regard to which such fractional shares of Common Stock would otherwise be issuable, an amount in cash equal to the same fraction of the current market value of a whole share of Common Stock. For the purposes of this subsection (e), the current market value of a whole share of Common Stock shall be the closing price of a share of Common Stock (as determined pursuant to the second sentence of Section 11(d) (i) hereof) for the Trading Day immediately prior to the date of exchange pursuant to this Section 24.

Section 25. Notice of Certain Events.

(a) In case the Company shall propose, at any time after the Distribution Date, (i) to pay any dividend payable in stock of any class to the holders of Preferred Stock or to make any other distribution to the holders of Preferred Stock (other than a regular quarterly cash dividend out of earnings or retained earnings of the Company), or (ii) to offer to the holders of Preferred Stock rights or warrants to subscribe for or to purchase any additional shares of Preferred Stock or shares of stock of any class or any other securities, rights or options, or (iii) to effect any reclassification of its Preferred Stock (other than a reclassification involving only the subdivision of outstanding shares of Preferred Stock), or (iv) to effect any consolidation or merger into or with any other Person (other than a Subsidiary of the Company in a transaction which complies with Section 11(0) hereof), or to effect any sale or other transfer (or to permit one or more of its Subsidiaries to effect any sale or other transfer), in one transaction or a series of related transactions, of more than 50% of the assets, cash flow or earning power of the Company and its Subsidiaries (taken as a whole) to any other Person or Persons (other than the Company and/or any of its Subsidiaries in one or more transactions each of which complies with Section 11(0) hereof), or (v) to effect the liquidation, dissolution or winding up of the Company, then, in each such case, the Company shall give to each holder of a Rights Certificate, to the extent

feasible and in accordance with Section 26 hereof, a notice of such proposed action, which shall specify the record date for the purposes of such stock dividend, distribution of rights or warrants, or the date on which such reclassification, consolidation, merger, sale, transfer, liquidation, dissolution, or winding up is to take place and the date of participation therein by the holders of the shares of Preferred Stock, if any such date is to be fixed, and such notice shall be so given in the case of any action covered by clause (i) or (ii) above at least twenty (20) days prior to the record date for determining holders of the shares of Preferred Stock for purposes of such action, and in the case of any such other action, at least twenty (20) days prior to the date of the taking of such proposed action or the date of participation therein by the holders of the shares of Preferred Stock whichever shall be the earlier.

(b) In case any of the events set forth in Section 11(a) (ii) hereof shall occur, then, in any such case, (i) the Company shall as soon as practicable thereafter give to each holder of a Rights Certificate, to the extent feasible and in accordance with Section 26 hereof, a notice of the occurrence of such event, which shall specify the event and the consequences of the event to holders of Rights under Section 11(a) (ii) hereof, and (ii) all references in the preceding paragraph to Preferred Stock shall be deemed thereafter to refer to Common Stock and/or, if appropriate, other securities.

Section 26. Notices.

Notices or demands authorized by this Agreement to be given or made by the Rights Agent or by the holder of any Rights Certificate to or on the Company shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing by the Rights Agent with the Company) as follows:

Limoneira Company
1141 Cummings Road
Santa Paula, CA 93060
Attention: Corporate Secretary

Subject to the provisions of Section 21, any notice or demand authorized by this Agreement to be given or made by the Company or by the holder of any Rights Certificate to or on the Rights Agent shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing by the Rights Agent with the Company) as follows:

The Bank of New York
101 Barclay Street-11E
New York, NY 10286
Attention: Transfer Agency Services

Notices or demands authorized by this Agreement to be given or made by the Company or the Rights Agent to the holder of any Rights Certificate (or, if prior to the Distribution Date, to the holder of certificates representing shares of Common Stock) shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed to such holder at the address of such holder as shown on the registry books of the Company.

Section 27. Supplements and Amendments.

Prior to the Distribution Date, and subject to the penultimate sentence of this Section 27, the Company and the Rights Agent shall, if the Company so directs, supplement or amend any provision of this Agreement without the approval of any holders of shares of Common Stock. From and after the Distribution Date, the Company and the Rights Agent shall, if the Company so directs, supplement or amend this Agreement without the approval of any holders of Rights in order (i) to cure any ambiguity, (ii) to correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions herein, (iii) to shorten or lengthen any time period hereunder, or (iv) to change or supplement the provisions hereunder in any manner which the Company may deem necessary or desirable and which shall not adversely affect the interests of the holders of Rights (other than an Acquiring Person or an Affiliate or Associate of an Acquiring Person); provided, this Agreement may not be supplemented or amended to lengthen, pursuant to clause (iii) of this sentence, (A) a time period relating to when the Rights may be redeemed at such time as the Rights are not then redeemable, or (B) any other time period unless such lengthening is for the purpose of protecting, enhancing or clarifying the rights of, and/or the benefits to, the holders of Rights. Upon the delivery of a certificate from an appropriate officer of the Company which states that the proposed supplement or amendment is in compliance with the terms of this Section 27, the Rights Agent shall execute such supplement or amendment. Prior to the Distribution Date, the interests of the holders of Rights shall be deemed coincident with the interests of the holders of Common Stock. Notwithstanding anything herein to the contrary, this Agreement may not be amended at a time when the Rights are not redeemable.

Section 28. Successors.

All the covenants and provisions of this Agreement by or for the benefit of the Company or the Rights Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

Section 29; Determinations and Actions by the Board of Directors, etc.

For all purposes of this Agreement, any calculation of the number of shares of Common Stock outstanding at any particular time, including for purposes of determining the particular percentage of such outstanding shares of Common Stock of which any Person is the Beneficial Owner, shall be made in accordance with the last sentence of Rule 13d-3(d) (1) (i) of the General Rules and Regulations under the Exchange Act. The Board of Directors of the Company shall have the exclusive power and authority to administer this Agreement and to exercise all rights and powers specifically granted to the Board or to the Company, or as may be necessary or advisable in the administration of this Agreement, including, without limitation, the right and power to (i) interpret the provisions of this Agreement, and (ii) make all determinations deemed necessary or advisable for the administration of this Agreement (including a determination to redeem or not redeem the Rights or to amend the Agreement). All such actions, calculations, interpretations and determinations (including, for purposes of clause *(y)* below, all omissions with respect to the foregoing) which are done or made by the Board in good faith, shall (x) be final, conclusive and binding on the Company, the Rights Agent, the holders of the Rights and all other parties, and (y) not subject the Board or any of the directors on the Board to any liability to the holders of the Rights.

Section 30. Benefits of this Agreement.

Nothing in this Agreement shall be construed to give to any Person other than the Company, the Rights Agent and the registered holders of the Rights (and, prior to the Distribution Date, registered holders of the Common Stock) any legal or equitable right, remedy or claim under this Agreement; but this Agreement shall be for the sole and exclusive benefit of the Company, the Rights Agent and the registered holders of the Rights (and, prior to the Distribution Date, registered holders of the Common Stock).

Section 31. Severability.

If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other

authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated; provided, however, that notwithstanding anything in this Agreement to the contrary, if any such term, provision, covenant or restriction is held by such court or authority to be invalid, void or unenforceable and the Board of Directors of the Company determines in its good faith judgment that severing the invalid language from this Agreement would adversely affect the purpose or effect of this Agreement, the right of redemption set forth in Section 23 hereof shall be reinstated and shall not expire until the close of business on the tenth day following the date of such determination by the Board of Directors. Without limiting the foregoing, if any provision requiring a specific group of Directors of the Company to act is held to by any court of competent jurisdiction or other authority to be invalid, void or unenforceable, such determination shall then be made by the Board of Directors of the Company in accordance with applicable law and the Company's Certificate of Incorporation and Bylaws, as then in effect.

Section 32. Governing Law.

This Agreement, each Right and each Rights Certificate issued hereunder shall be deemed to be a contract made under the laws of the State of Delaware and for all purposes shall be governed by and construed in accordance with the laws of such State applicable to contracts made and to be performed entirely within such State, except that the rights and obligations of the Rights Agent shall be governed by the laws of the State of New York.

Section 33. Counterparts.

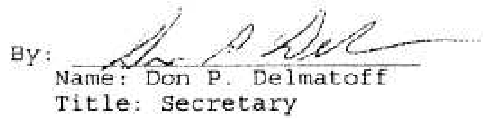
This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

Section 34. Descriptive Headings.

Descriptive headings of the several sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed, all as of the day and year first above written.

Attest:



By: ______________________
Name: Don P. Delmatoff
Title: Secretary

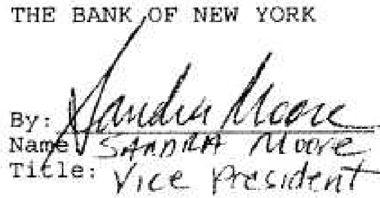
LIMONEIRA COMPANY

By: ______________________
Name: Harold S. Edwards
Title: President

Attest:

By: ______________________
Name: STEPHEN JONES
Title: ASST VICE PRESIDENT

THE BANK OF NEW YORK



By: ______________________
Name: SANDRA MOORE
Title: Vice President

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11/20/06

Exhibit A

CERTIFICATE OF DESIGNATION, PREFERENCES AND RIGHTS OF SERIES A JUNIOR PARTICIPATING PREFERRED STOCK, $.01 PAR VALUE, OF LIMONEIRA COMPANY

Pursuant to Section 151 of the General Corporation Law of the State of Delaware

WE, HAROLD S. EDWARDS, President, and DON P. DELMATOFF, Secretary of LIMONEIRA COMPANY, a corporation organized and existing under the General Corporation Law of the State of Delaware, in accordance with the previous of Section 103 thereof, DO HEREBY CERTIFY:

That pursuant to the authority conferred upon the Board of Directors by the Restated Certificate of Incorporation of the said Corporation, the said Board of Directors on October 31, 2006, adopted the following resolution creating a series of 20,000 shares of Preferred Stock designated as Series A Junior Participating Preferred Stock, $.01 Par Value.

RESOLVED, that pursuant to the authority vested in the Board of Directors of this Corporation in accordance with the provisions of its Restated Certificate of Incorporation, a series of Preferred Stock of the Corporation be and it hereby is created, and that the designation and amount thereof and the voting powers, preferences and relative, participating, optional and other special rights of the shares of such series, and the qualifications, limitations or restrictive thereof are as follows:

SERIES A JUNIOR PARTICIPATING PREFERRED STOCK

Section 1. Designation and Amount. The shares of such series shall be classified and designated as "Series A Junior Participating Preferred Stock $.01 Par Value" and the number of shares constituting such series shall be 20,000.

Section 2. Dividends and Distributions.

(A) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock ranking prior and superior to the shares of Series A Junior Participating Preferred Stock with respect to dividends, the holders of shares of Series A Junior Participating Preferred Stock shall be entitled to receive, when, as and if authorized and declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on or before the fifteenth (15th) day of January, April, July and October in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Junior Participating Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) $1.00 or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock, par value $1,.00 per share, of the Corporation (the "Common Stock") since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Junior Participating Preferred Stock. In the event the Corporation shall at any time after December 1, 2006 (the "Rights Declaration Date") (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Series A Junior Participating Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation may not declare or pay a dividend or distribution on the Common Stock (other than a dividend payable in shares of the Common Stock) unless it simultaneously declares and pays a dividend or distribution on the Series A Junior Participating Preferred Stock as provided in Paragraph (A) above; provided that, in the event no dividend payable in shares of or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $1 per share on the Series A Junior Participating Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Junior Participating Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Junior Participating Preferred Stock, unless the date of issue of such shares. is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Junior Participating Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends

shall not bear interest. Dividends paid on the shares of Series A Junior Participating Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Junior Participating Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 30 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series A Junior Participating Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Junior Participating Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the holders of Common Stock of the Corporation. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the number of votes per share to which holders of shares of Series A Junior Participating Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein or by law, the holders of shares of Series A Junior Participating Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) (i) If at any time dividends on any Series A Junior Participating Preferred Stock shall be in arrears in an amount equal to six (6) quarterly dividends thereon, the occurrence of such contingency shall mark the beginning of a period (herein called a "default period") which shall extend until such time when all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all shares of Series A Junior Participating Preferred Stock then outstanding shall have been declared and paid or set apart for payment. During each default period, all holders of Preferred Stock (including holders of the Series A Junior Participating Preferred Stock) with dividends in arrears in an amount equal to six (6) quarterly dividends thereon, voting as a class, irrespective of series, shall have the right to elect two (2) directors.

(ii) During any default period, such voting right of the holders of Series A Junior Participating Preferred Stock may be exercised initially at a special meeting called pursuant to subparagraph (iii) of this Section 3(C) or at any annual meeting of stockholders, and thereafter at annual meetings of stockholders, provided that neither such voting right nor the right of the holders of any other series of Preferred Stock, if any, to increase in certain cases the authorized number of directors shall be exercised unless the holders of ten percent (10%) in number of shares of Series A Junior Participating Preferred Stock outstanding shall be present in person or by proxy. The absence of a quorum of the holders of Common Stock shall not affect the exercise by the holders of Series A Junior Participating Preferred Stock of such voting right. At any meeting at which the holders of Series A Junior Participating Preferred Stock shall exercise such voting right initially during an existing default period, they shall have the right, voting as a class, to elect directors to fill such vacancies, if any, in the Board of Directors as may then exist up to two (2) directors or, if such right is exercised at an annual meeting, to elect two (2) directors. If the number which may be so elected at any special meeting does not amount to the required number, the holders of the Series A Junior Participating Preferred Stock shall have the right to make such increase in the number of directors as shall be necessary to permit the election by them of the required number. After the holders of the Series A Junior Participating Preferred Stock shall have exercised their right to elect directors in any default period and during the continuance of such period,

the number of directors shall not be increased or decreased except by vote of the holders of Series A Junior Participating Preferred Stock as herein provided or pursuant to the rights of any equity securities ranking senior to or pari passu with the Series A Junior Participating Preferred Stock.

(iii) Unless the holders of Series A Junior Participating Preferred Stock shall, during an existing default period, have previously exercised their right to elect directors, the Board of Directors may authorize, or any stockholder or stockholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Series A Junior Participating Preferred Stock outstanding, may request, the calling of a special meeting of the holders of Series A Junior Participating Preferred Stock, which meeting shall thereupon be called by the President, a Vice-President or the Secretary of the Corporation. Notice of such meeting and of any annual meeting at which holders of Series A Junior Participating Preferred Stock are entitled to vote pursuant to this Paragraph (C) (iii) shall be given to each holder of record of Series A Junior Participating Preferred Stock by mailing a copy of such notice to such holder at its last address as the same appears on the books of the Corporation. Such meeting shall be called for a time not earlier than 20 days and not later than 60 days after such order or request or in default of the calling of such meeting within 60 days after such authorization or request, such meeting may be called on similar notice by any stockholder or stockholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Series A Junior Participating Preferred Stock outstanding. Notwithstanding the provisions of this Paragraph (C) (iii), no such special meeting shall be called during the period within 60 days immediately preceding the date fixed for the next annual meeting of the stockholders.

(iv) In any default period, the holders of Common Stock, and other classes of stock of the Corporation if applicable, shall continue to be entitled to elect the whole number of directors until the holders of Series A Junior Participating Preferred Stock shall have exercised their right to elect two (2) directors voting as a class, after the exercise of which right (x) the directors so elected by the holders of Series A Junior Participating Preferred Stock shall continue in office until their successors shall have been elected by such holders or until the expiration of the default period, and (y) any vacancy in the Board of Directors may (except as provided in Paragraph (C) (ii) of this Section 3) be filled by vote of a majority of the remaining directors theretofore elected by the holders of the class of stock which elected the director whose office shall have become vacant. References in this Paragraph (C) to directors elected by the holders of a particular class of stock shall include directors elected by such directors to fill vacancies as provided in clause (y) of the foregoing sentence.

(v) Immediately upon the expiration of a default period, (x) the right of the holders of Series A Junior Participating Preferred Stock as a class to elect directors shall cease, (y) the term of any directors elected by the holders of Series A Junior Participating Preferred Stock as a class shall terminate, and (z) the number of directors shall be such number as may be provided for in the charter or Bylaws irrespective of any increase made pursuant to the provisions of Paragraph (C) (ii) of this Section 3 (such number being subject, however, to change thereafter in any manner provided by law or in the charter or Bylaws) Any vacancies in the Board of Directors effected by the provisions of clauses (y) and (z) in the preceding sentence may be filled by a majority of the remaining directors.

(D) Except as set forth herein, holders of Series A Junior Participating Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Junior Participating Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Junior Participating Preferred Stock outstanding shall have been paid in full, the Corporation shall not

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Junior Participating Preferred Stock, except dividends paid ratably on the Series A Junior Participating Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Junior Participating Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Junior Participating Preferred Stock; or

(iv) purchase or otherwise acquire for consideration any shares of Series A Junior Participating Preferred Stock, or any shares of stock ranking on a parity with the Series A Junior Participating Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under Paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series A Junior Participating Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

Section 6. Liquidation, Dissolution or Winding Up.

(A) Upon any liquidation (voluntary or otherwise) , dissolution or winding up of the Corporation, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred

Stock unless, prior thereto, the holders of shares of Series A Junior Participating Preferred Stock shall have received an amount equal to $100 per share of Series A Junior Participating Preferred Stock, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment (the "Series A Liquidation Preference"). Following the payment of the full amount of the Series A Liquidation Preference, no additional distributions shall be made to the holders of shares of Series A Junior Participating Preferred Stock unless, prior thereto, the holders of shares of Common Stock shall have received an amount per share (the "Common Adjustment") equal to the quotient obtained by dividing (i) the Series A Liquidation Preference by (ii) 100 (as appropriately adjusted as set forth in subparagraph (C) below to reflect such events as stock splits, stock dividends and recapitalizations with respect to the Common Stock) (such number in clause (ii), the "Adjustment Number"). Following the payment of the full amount of the Series A Liquidation Preference and the Common Adjustment in respect of all outstanding shares of Series A Junior Participating Preferred Stock and Common Stock, respectively, holders of Series A Junior Participating Preferred Stock and holders of shares of Common Stock shall receive their ratable and proportionate share of the remaining assets to be distributed in the ratio of the Adjustment Number to 1 with respect to such Preferred Stock and Common Stock, on a per share basis, respectively.

(B) In the event, however, that there are not sufficient assets available to permit payment in full of the Series A Liquidation Preference and the liquidation preferences of all other series of preferred stock, if any, which rank on a parity with the Series A Junior Participating Preferred Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences. In the event, however, that there are not sufficient assets available to permit payment in full of the Common Adjustment, then such remaining assets shall be distributed ratably to the holders of Common Stock.

(C) In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(D) In determining whether a distribution (other than upon voluntary or involuntary liquidation) by dividend, redemption or other acquisition of shares of stock of the Corporation or otherwise is permitted under the Delaware General Corporation Law, no effect shall be given to amounts that would be needed, if the Corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of holders of shares of stock of the Company whose preferential rights upon dissolution are superior to those receiving the distribution.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Series A Junior Participating Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Junior Participating Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the

denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. No Redemption. The shares of Series A. Junior Participating Preferred Stock shall not be redeemable.

Section 9. Ranking. The Series A Junior Participating Preferred Stock shall rank junior to all other series of the Corporation's Preferred Stock as to the payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise.

Section 10. Amendment. At any time when any shares of Series A Junior Participating Preferred Stock are outstanding, the Restate Certificate of Incorporation of the Corporation, including the terms of this Certificate of Designation, shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Junior Participating Preferred Stock so as to affect them adversely without the affirmative vote of the holders of a majority or more of the outstanding shares of Series A Junior Participating Preferred Stock, voting separately as a class.

Section 11. Fractional Shares. Series A Junior Participating Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Junior Participating Preferred Stock.

IN WITNESS WHEREOF, we have executed and subscribed this Certificate and so affirm the foregoing as true under the penalties of perjury. This _____ day of November, 2006.

____

Harold S. Edwards
President

ATTEST:

____

Don P. Delmatoff
Secretary

IN WITNESS WHEREOF, LIMONEIRA COMPANY has caused these Articles Supplementary to be signed in its name and on its behalf by its ________________ and attested to by its Secretary on ________________________.

LIMONEIRA COMPANY

By:____________________________
Name: Harold S. Edwards
Title: President

Attest:

____
Secretary

Exhibit B

[Form of Rights Certificate]

Certificate No. R ___________Rights

NOT EXERCISABLE AFTER DECEMBER _____, 2016 UNLESS EXTENDED PRIOR THERETO BY THE BOARD OF DIRECTORS OR EARLIER IF REDEEMED BY THE COMPANY. THE RIGHTS ARE SUBJECT TO REDEMPTION, AT THE OPTION OF THE COMPANY, AT $.01 PER RIGHT ON THE TERMS SET FORTH IN THE RIGHTS AGREEMENT. UNDER CERTAIN CIRCUMSTANCES, RIGHTS BENEFICIALLY OWNED BY AN ACQUIRING PERSON (AS SUCH TERM IS DEFINED IN THE RIGHTS AGREEMENT) AND ANY SUBSEQUENT HOLDER OF SUCH RIGHTS MAY BECOME NULL AND VOID. [THE RIGHTS REPRESENTED BY THIS RIGHTS CERTIFICATE ARE OR WERE BENEFICIALLY OWNED BY A PERSON WHO WAS OR BECAME AN ACQUIRING PERSON OR AN AFFILIATE OR ASSOCIATE OF AN ACQUIRING PERSON (AS SUCH TERMS ARE DEFINED IN THE RIGHTS AGREEMENT). ACCORDINGLY, THIS RIGHTS CERTIFICATE AND THE RIGHTS REPRESENTED HEREBY MAY BECOME NULL AND VOID IN THE CIRCUMSTANCES SPECIFIED IN SECTION 7(e) OF SUCH AGREEMENT.]

Rights Certificate

LIMONEIRA COMPANY

This certifies that ________________, or registered assigns, is the registered owner of the number of Rights set forth above, each of which entitles the owner thereof, subject to the terms, provisions and conditions of the Rights Agreement, dated as of December ____, 2006 (the "Rights Agreement"), between Limoneira Company, a Delaware corporation (the "Company"), and The Bank of New York, a New York corporation (the "Rights Agent"), to purchase from the Company at any time prior to 5:00 **P.M.** (New York City time) on November 30, 2016 (unless such date is extended prior thereto by the Board of Directors) at the office or offices of the Rights Agent designated for such purpose, or its successors as Rights Agent, one one-hundredth of a fully paid, non-assessable share of Series A Junior Participating Preferred Stock (the "Preferred Stock") of the Company, at a purchase price of $1,200.00 per one one-hundredth of a share (the "Purchase Price"), upon presentation and surrender of this Rights Certificate with the Form of Election to Purchase and related Certificate duly executed. The number of Rights represented by this Rights Certificate (and the number of shares which may be purchased upon exercise thereof) set forth above, and the Purchase Price per share set forth above, are the number and Purchase Price as of December ____, 2006, based on the Preferred Stock as constituted at such date. The Company reserves the right to require prior to the occurrence of a Triggering Event (as such term is defined in the Rights Agreement) that a number of Rights be exercised so that only whole shares of Preferred Stock will be issued.

Upon the occurrence of a Section 11(a) (ii) Event (as such term is defined in the Rights Agreement), if the Rights represented by this Rights Certificate are beneficially owned by (i) an Acquiring Person or an Affiliate or Associate of any such Acquiring Person (as such terms are defined in the Rights Agreement), (ii) a transferee of any such Acquiring Person, Associate or Affiliate, or (iii) under certain circumstances specified in the Rights Agreement, a transferee of a person who, after such transfer, became an Acquiring Person, or an Affiliate or Associate of an Acquiring Person, such Rights shall become null and void and no holder hereof shall have any right with respect to such Rights from and after the occurrence of such Section 11(a) (ii) Event.

As provided in the Rights Agreement, the Purchase Price and the number and kind of shares of Preferred Stock or other securities, which may be purchased upon the exercise of the Rights represented by this Rights Certificate are subject to modification and adjustment upon the happening of certain events, including Triggering Events.

This Rights Certificate is subject to all of the terms, provisions and conditions of the Rights Agreement, which terms, provisions and conditions are hereby incorporated herein by reference and made a part hereof and to which Rights Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities hereunder of the Rights Agent, the Company and the holders of the Rights Certificates, which limitations of rights include the temporary suspension of the exercisability of such Rights under the specific circumstances set forth in the Rights Agreement. Copies of the Rights Agreement are on file at the above-mentioned office of the Rights Agent and are also available upon written request to the Rights Agent.

This Rights Certificate, with or without other Rights Certificates, upon surrender at the principal office or offices of the Rights Agent designated for such purpose, may be exchanged for another Rights Certificate or Rights Certificates of like tenor and date representing Rights entitling the holder to purchase a like aggregate number of one one-hundredths of a share of Preferred Stock as the Rights represented by the Rights Certificate or Rights Certificates surrendered shall have entitled such holder to purchase. If this Rights Certificate shall be exercised in part, the holder shall be entitled to receive upon surrender hereof another Rights Certificate or Rights Certificates representing the number of whole Rights not exercised.

Subject to the provisions of the Rights Agreement, the Rights represented by this Certificate may be redeemed by the Company at its option at a redemption price of $.01 per Right at any time prior to the earlier of the close of business on (i) the tenth day following the Stock Acquisition Date (as such time period is defined and may be extended pursuant to the Rights Agreement), and (ii) the Final Expiration Date. In addition, under certain circumstances following the Stock Acquisition Date, the Rights may be exchanged, in whole or in part, for shares of the Common Stock, or shares of preferred stock of the Company having essentially the same value or economic rights as such shares. Immediately upon the action of the Board of Directors of the Company authorizing any such exchange, and without any further action or any notice, the Rights (other than Rights which are not subject to such exchange) will terminate and the Rights will only enable holders to receive the shares issuable upon such exchange.

No fractional shares of Preferred Stock will be issued upon the exercise of any Right or Rights represented hereby (other than fractions which are integral multiples of one one-hundredth of a share of Preferred Stock, which may, at the election of the Company, be represented by depositary receipts), but in lieu thereof a cash payment will be made, as provided in the Rights Agreement. The Company, at its election, may require that a number of Rights be exercised so that only whole shares of Preferred Stock would be issued.

No holder of this Rights Certificate shall be entitled to vote or receive dividends or be deemed for any purpose the holder of shares of Preferred Stock or of any other securities of the Company

which may at any time be issuable on the exercise hereof, nor shall anything contained in the Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give consent to or withhold consent from any corporate action, or, to receive notice of meetings or other actions affecting stockholders (except as provided in the Rights Agreement), or to receive dividends or subscription rights, or otherwise, until the Right or Rights represented by this Rights Certificate shall have been exercised as provided in the Rights Agreement.

This Rights Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officers of the Company and its corporate seal.

Dated as of December ____, 2006

ATTEST: LIMONEIRA COMPANY

_________________________ By:_________________________

Secretary Title:_________________________

Countersigned:

[ ]

By_________________________

Authorized Signature

[Form of Reverse Side of Rights Certificate]

FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer the Rights Certificate.)

FOR VALUE RECEIVED ______________________________ hereby sells, assigns and transfers unto ____

(Please print name and address of transferee)

____

the Rights represented by this Rights Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint ________________ as Agent to transfer the within Rights Certificate on the books of the within named Company, with full power of substitution.

Dated: ____________________

____
Signature

Signature Guaranteed:

____

Certificate

The undersigned hereby certifies by checking the appropriate boxes that:

(1) the Rights represented by this Rights Certificate [ ] are [ ] are not being sold, assigned and transferred by or on behalf of a Person who is or was an Acquiring Person or an Affiliate or Associate of any such Acquiring Person (as such terms are defined pursuant to the Rights Agreement);

(2) after due inquiry and to the best knowledge of the undersigned, it [ ] did [ ] did not acquire the Rights evidenced by this Rights Certificate from any Person who is, was or subsequently became an Acquiring Person or an Affiliate or Associate of an Acquiring Person.

Dated: ____________________

____
Signature

Signature Guaranteed:

____

NOTICE

The signature to the foregoing Assignment and Certificate must correspond to the name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever.

FORM OF ELECTION TO PURCHASE

(To be executed if holder desires to exercise Rights represented by the Rights Certificate.)

To: LIMONEIRA COMPANY

The undersigned hereby irrevocably elects to exercise ___________ Rights represented by this Rights Certificate to purchase the shares of Preferred Stock issuable upon the exercise of the Rights (or such other securities of the Company or of any other person which may be issuable upon the exercise of the Rights) and requests that certificates representing such shares be issued in the name of and delivered to:

Please insert social security or other identifying number

____

(Please print name and address

____

If such number of Rights shall not be all the Rights represented by this Rights Certificate, a new Rights Certificate representing the balance of such Rights shall be registered in the name of and delivered to:

Please insert social security or other identifying number

____

(Please print name and address

____

____

Dated: ________________________

____

Signature

Signature Guaranteed:

____

Certificate

The undersigned hereby certifies by checking the appropriate boxes that:

(1) the Rights represented by this Rights Certificate [ ] are [ ] are not being exercised by or on behalf of a Person who is or was an Acquiring Person or an Affiliate or Associate of any such Acquiring Person (as such terms are defined pursuant to the Rights Agreement);

(2) after due inquiry and to the best knowledge of the undersigned, it [ ] did [ ] did not acquire the Rights represented by this Rights Certificate from any Person who is, was or became an Acquiring Person or an Affiliate or Associate of an Acquiring Person.

Dated: ______________________ ________________________________
Signature

Signature Guaranteed:

____

NOTICE

The signature to the foregoing Assignment and Certificate must correspond to the name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever.

Exhibit C

SUMMARY OF RIGHTS TO PURCHASE PREFERRED STOCK

On October 31, 2006, the Board of Directors of Limoneira Company (the "Company") authorized a dividend distribution of one Right for each authorized and outstanding share of common stock, par value $.01 per share, of the Company to stockholders of record at the close of business on December ____, 2006 (the "Record Date"). Each Right entitles the registered holder to purchase from the Company a unit consisting of one one-hundredth of a share (a "Unit") of Series A Junior Participating Preferred Stock, par value $.01 per share (the "Series A Preferred Stock") at a Purchase Price of $1,200.00 per Unit, subject to adjustment. The description and terms of the Rights are set forth in a Rights Agreement (the "Rights Agreement") between the
Company and The Bank of New York, as Rights Agent.

Initially, the Rights will be attached to all Common Stock certificates representing shares then outstanding, and no separate Rights Certificates will be distributed. Subject to certain exceptions specified in the Rights Agreement, the Rights will separate from the Common Stock and a Distribution Date will occur upon the earlier of (i) 10 days following a public announcement that a person or group of affiliated or associated persons (an "Acquiring Person") has acquired beneficial ownership of 15% or more of the outstanding shares of Common Stock (the "Stock Acquisition Date"), other than as a result of repurchases of stock by the Company or certain inadvertent actions by institutional or certain other stockholders, or (ii) 10 business days (or such later date as the Board shall determine) following the commencement of a tender offer or exchange offer that would result in a person or group becoming an Acquiring Person. Until the Distribution Date, (i) the Rights will be represented by the Common Stock certificates and will be transferred with and only with such Common Stock certificates, (ii) new Common Stock certificates issued after the Record Date will contain a notation incorporating the Rights Agreement by reference and (iii) the surrender for transfer of any certificates for Common Stock outstanding will also constitute the transfer of the Rights associated with the Common Stock represented by such certificate. Pursuant to the Rights Agreement, the Company reserves the right to require prior to the occurrence of a Triggering Event (as defined below) that, upon any exercise of Rights, a number of Rights be exercised so that only whole shares of Preferred Stock will be issued.

The Rights are not exercisable until the Distribution Date and will expire at 5:00 P.M. (New York City time) on December ____, 2016, unless such date is extended or the Rights are earlier redeemed or exchanged by the Company as described below.

As soon as practicable after the Distribution Date, Rights Certificates will be mailed to holders of record of the Common Stock as of the close of business on the Distribution Date and, thereafter the separate Rights Certificates alone will represent the Rights. Except as otherwise determined by the Board of Directors only shares of Common Stock issued prior to the Distribution Date will be issued with Rights.

In the event that a Person becomes an Acquiring person except pursuant to an offer for all outstanding shares of Common Stock which the independent directors determine to be fair and not inadequate to, and to otherwise be in the best interests for the Company and its stockholders after receiving advice from one or more investment banking ,firms (a "Qualified Offer") reach holder of a Right will thereafter have the right to receive, upon exercise in lieu of the fractional shares of Series A Preferred Stock that number of shares of Common Stock (or in certain circumstances cash, property or other securities of the Company) having a value equal to two times the exercise price of the Right. Notwithstanding any of the foregoing following the occurrence of the event set forth in this paragraph all

Rights that are, or (under certain circumstances specified in the Rights Agreement) were, beneficially owned by any Acquiring Person will be null and void. However Rights are not exercisable following the occurrence of the event set forth above until such time as the Rights are no longer redeemable by the Company as set forth below.

For example at an exercise price of $120 per Right, each Right not owned by an Acquiring Person (or by certain related parties) following an event set forth in the preceding paragraph would entitle its holder to purchase $240 worth of Common Stock (or other consideration, as noted above) for $120. Assuming that the Common Stock had a per share value of $30 at such time, the holder of each valid Right would be entitled to purchase 8 shares of Common Stock for $120.

In the event that, at any time following the Stock Acquisition Date, (i) the Company engages in a merger or other business combination transaction in which the Company is not the surviving corporation (other than with an entity which acquired the shares pursuant to a Qualified Offer), (ii) the Company engages in a merger or other business combination transaction in which the Company is the surviving corporation and the Common Stock of the Company is changed or exchanged, or (iii) 50% or more of the Company's assets, cash flow or earning power is sold or transferred, each holder of a Right (except Rights which have previously been voided as set forth above) shall thereafter have the right to receive, upon exercise, common stock of the acquiring company having a value equal to two times the exercise price of the Right. The events set forth in this paragraph and in the second preceding paragraph are referred to as the "Triggering Events."

At any time after a person becomes an Acquiring Person and prior to the acquisition by such person or group of fifty percent (50%) or more of the outstanding Common Stock, the Company may exchange the Rights (other than Rights owned by such person or group which have become void), in whole or in part, at an exchange ratio of one share of Common Stock, or one one-hundredth of a share of Series A Preferred Stock (or of a share of a class or series of the Company's preferred stock having equivalent rights, preferences and privileges), per Right (subject to adjustment) .
At any time until ten days following the Stock Acquisition Date, the Company may redeem the Rights in whole, but not in part, at a price of $.01 per Right (payable in cash, Common Stock or other consideration deemed appropriate by the Board of Directors). Immediately upon the action of the Board of Directors authorizing redemption of the Rights, the Rights will terminate and the only right of the holders of Rights will be to receive the $.01 redemption price.

Until a Right is exercised, the holder thereof, as such, will have no rights as a stockholder of the Company, including, without limitation, the right to vote or to receive dividends. While the distribution of the Rights will not be taxable to stockholders or to the Company, stockholders may, depending upon the circumstances, recognize taxable income in the event that the Rights become exercisable for Common Stock (or other consideration) of the Company or for common stock of the acquiring company or in the event of the redemption of the Rights as set forth above.

Any of the provisions of the Rights Agreement may be amended by the Board of Directors of the Company prior to the Distribution Date. After the Distribution Date, the provisions of the Rights Agreement may be amended by the Board in order to cure any ambiguity, to make changes which do not adversely affect the interests of holders of Rights, or to shorten or lengthen any time period under the Rights Agreement. The foregoing notwithstanding, no amendment may be made at such time as the Rights are not redeemable.

SUNKIST GROWERS, INC.

COMMERCIAL PACKINGHOUSE LICENSE AGREEMENT

THIS COMMERCIAL PACKINGHOUSE LICENSE AGREEMENT (this "**Agreement**") is made and entered into as of October 1, 2008 (the "**Effective Date**"), by and among **SUNKIST GROWERS, INC.**, a nonprofit marketing cooperative ("**Sunkist**"), **VENTURA COUNTY FRUIT EXCHANGE** ("**District Exchange**"), a nonprofit cooperative and a member of Sunkist, and **LIMONEIRA COMPANY**, a Delaware corporation ("**Packer**").

RECITALS

A. Sunkist Members. The members of Sunkist include (i) citrus growers ("**Growers**"), (ii) nonprofit cooperative local associations of Growers ("**Local Associations**"), and (iii) nonprofit cooperative associations of Growers and Local Associations ("**District Exchanges**"), one of which is District Exchange.

B. Sunkist System. Sunkist and its Growers, Local Associations and District Exchanges together are commonly known as the Sunkist System (the "**Sunkist System**"); the Sunkist System is organized and operates for the sole benefit of the Growers in the marketing of their citrus fruit.

C. Facility Requirements. In addition to the central marketing and related functions performed for the Growers by Sunkist and its District Exchanges, Growers require facilities for grading, labeling, packing, shipping and handling the fruit produced from their groves to prepare the same for marketing by Sunkist. Those facilities are either owned by Local Associations, or are made available to Growers, individually or through Local Associations, by commercial packers (such as Packer) licensed by Sunkist to handle the citrus fruit of Growers ("**Packers**").

D. Obligation to Return Proceeds. Sunkist, District Exchange, Packer and all other marketing agencies and facilities within the Sunkist System are required by (and in accordance with) law, contract and/or the terms of their charter documents to return to Growers the net proceeds from the sale of the Growers' citrus fruit. Pursuant to the authorization of the Growers who have engaged Packer to pack and ship their citrus fruit ("**Packer Growers**"), Sunkist shall deliver its net sales proceeds to Packer for distribution by Packer to its Packer Growers in accordance with Packer's legal obligations to its Packer Growers in that regard.

E. Trademarks. Since its adoption in 1907, Sunkist has used the SUNKIST® trademark and other trademarks as the cornerstone of its marketing activity for its Growers' benefit, and in that connection, has spent millions of dollars on the development, preservation and protection of such trademarks, which are, along with Sunkist's reputation, of vital concern to Sunkist, its members and the Sunkist System.

COVENANTS

NOW THEREFORE, IN CONSIDERATION of the promises and of the covenants hereinafter contained, and other good and valuable consideration, the receipt of which is hereby acknowledged, Sunkist, District Exchange and Packer (each singly sometimes herein, a "**Party**", and all collectively sometimes herein, the "**Parties**") hereby agree as follows:

1. Granting of Permission and License. Sunkist hereby grants to Packer non-exclusive, non-transferable permission to do the following (collectively, "**Authorized Activities**"): *subject to* any and all instructions, rules and regulations concerning inspection, quality control, shipping, marketing and other matters, as may be adopted and modified from time to time by Sunkist and/or District Exchange in their sole discretion, to grade, label, pack, prepare for marketing by Sunkist pursuant to market opportunities developed by Sunkist, and ship (but not market or sell except as otherwise authorized from time to time by written Sunkist marketing policies) *only* Packer Grower citrus fruit that meets specifications set by Sunkist in its sole discretion, through District Exchange in packing facilities of Packer located at the address for notices set forth in Section 18 hereof or at such other address as may be approved by Sunkist. In connection therewith, Sunkist also grants to Packer a non-exclusive and non- transferable license to use solely and directly in connection with Packer's Authorized Activities the SUNKIST® trademark and such additional trademarks of Sunkist, if any, including any and all variations or modifications of the foregoing, that Sunkist may approve in writing in advance, and all registrations, applications and renewals of the foregoing (the SUNKIST® trademark and any such other additional Sunkist trademarks, hereinafter singly and collectively, the "**Sunkist Trademark**").

2. Term. The term of this Agreement and the permission and license herein granted shall commence as of the Effective Date, and shall continue thereafter unless and until terminated as provided hereinbelow.

3. Covenants of Packer. Packer agrees as follows:

a) No Non-Grower Fruit; No Commingling. Packer understands that Sunkist has a substantial interest in preventing misuse of the Sunkist Trademark and marketing information developed at the expense of Sunkist members. Accordingly, Packer shall not, without Sunkist's prior written consent, which consent Sunkist may withhold or delay in its sole and absolute discretion, pack or otherwise handle citrus fruit for persons or entities (singly a "**Person**, and collectively "**Persons**") other than Packer Growers and (on a temporary basis) other Sunkist Growers or other Sunkist Packers ("**Non-Grower Fruit**"). In the event that Sunkist gives such consent, Packer shall not pack, ship or otherwise handle Non-Grower Fruit in any way that might allow, threaten, or result in, the commingling or confusion of Non-Grower Fruit or the proceeds thereof, either in a physical or accounting sense, with the citrus fruit of Packer Growers or the

proceeds thereof. In that regard, Packer understands that commingling of Packer Grower fruit and/or the proceeds thereof may jeopardize Sunkist's confirmation of certain matters critical to its ability to continue to operate as a cooperative as it now does, including, without limitation, verification that the Sunkist System is operating on a cooperative basis only with producers and is returning to those producers the net proceeds of sale, and that Sunkist's non-member business does not exceed its member business.

b) Shipping and Marketing Control. Packer recognizes that Growers market their citrus fruit through the Sunkist System pursuant to market opportunities developed and consummated by Sunkist. Accordingly, Packer shall ship Packer Grower citrus fruit to market *only* as instructed by Sunkist pursuant to such opportunities. Sunkist shall have the sole and exclusive right to determine prices and other terms and conditions upon which all fruit delivered to it by Packer is to be advertised, marketed, delivered and sold, including, without limitation, the right to modify, waive, enforce or not enforce (as it sees fit) such prices, terms and conditions and to settle claims of or against its customers; provided, however, that Sunkist shall not settle or otherwise make concessions adverse to Packer based upon a customer complaint or claim unless and until Sunkist has given Packer notice of such complaint or claim and a reasonable opportunity to present to Sunkist Packer's response thereto.

c) No Packer Marketing. Packer shall not market, sell or dispose of, or attempt to market, sell or dispose of, any Grower citrus fruit except by or through Sunkist in accordance with the terms and conditions hereof. Packer shall not solicit business from or correspond with any prospective buyers, or employ any solicitor or agent, for the purpose of promoting the sale of any Grower citrus fruit, except to the extent expressly permitted pursuant to written policies or exceptions that Sunkist may from time to time disseminate; provided, however, that under no circumstances may Packer discuss or otherwise communicate with prospective buyers on the subjects of pricing, allowances or rebates. Packer shall also not directly or indirectly consign fruit without the prior written approval of Sunkist, or make arrangements to deliver fruit other than exactly as manifested, or make brokerage payments, or ship fruit without an order; provided, however, that Packer may from time to time refuse to fill a customer order submitted to Packer by Sunkist on grounds reasonably acceptable to Sunkist and in accordance with such policies as Sunkist may from time to time adopt.

d) Sunkist Instructions and Regulations. In its performance of Authorized Activities, Packer shall comply with the instructions, rules and regulations of Sunkist and/or District Exchange. Without limiting the generality of the foregoing, in preparing for shipment and causing Grower fruit to be shipped to market pursuant to instructions from Sunkist, Packer recognizes the power and authority of Sunkist to specify the route and method for such shipment, the facilities to be used and the pooling of transportation costs and charges; and in such matters, Packer shall comply with such routing, transportation selection and

transportation pooling practices as Sunkist may, in its sole discretion, from time to time authorize and direct.

e) Legal Compliance. ALL PACKER ACTIVITIES UNDER THIS AGREEMENT, INCLUDING, WITHOUT LIMITATION, ITS AUTHORIZED ACTIVITIES HEREUNDER, AS WELL AS ITS BUSINESS AND OPERATIONS IN GENERAL, SHALL COMPLY (TO THE EXTENT APPLICABLE) WITH GOOD MANUFACTURING PRACTICES, FDA GUIDELINES FOR GOOD AGRICULTURAL PRACTICES, AND ALL FEDERAL, STATE, LOCAL AND ANY APPLICABLE FOREIGN STATUTES, REGULATIONS, AND OTHER APPLICABLE REQUIREMENTS, INCLUDING, WITHOUT LIMITATION, ANY OF THE FOREGOING PERTAINING TO (I) PUBLIC HEALTH, FOOD SAFETY, THE ENVIRONMENT OR HAZARDOUS MATERIALS OR SUBSTANCES, CHEMICALS, FUNGICIDES, INSECTICIDES, RODENTICIDES, AND OTHER PESTICIDES; (II) FOOD COATING, PACKAGING, WEIGHTS AND MEASURES, LABELING AND ADVERTISING; AND (III) PRODUCT EXPORTATION (all the foregoing collectively, "**Laws**").

f) Packer Grower Agreements. Packer shall at all times during the term hereof have a written agreement with each of its Packer Growers (other than Packer itself if it produces citrus fruit) that, among other things, shall obligate Packer to return to each such Packer Grower the net proceeds from the marketing of said Packer Growers' fruit by Sunkist and District Exchange, after deduction of Packer's packing fees and charges agreed to by Packer and its Packer Growers, and Packer shall perform its obligations under such written agreement. Packer shall, upon request, furnish to Sunkist or District Exchange a written copy of such agreement with its Packer Growers. Packer shall not handle and account for its own citrus fruit, if any, on any basis that is more favorable to Packer than the basis used by Packer to handle and account for the citrus fruit of Packer Growers. Packer may adopt reasonable plans for pooling fruit and the proceeds thereof.

g) Reporting of Information; Audit: Inspection. As used herein, an "**Affiliate**" means and includes any Person who or which may control, be controlled by, or be under common control with, another Person, including, without limitation, the other Person's employees, agents, representatives, where control ("**Control**") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract, or otherwise. In order to account properly to, and to determine various rights and obligations of, Growers in the Sunkist System, Packer shall furnish to Sunkist or District Exchange such detailed, accurate and complete information concerning the amount, volume and value of all citrus fruit packed or handled (or estimated to be packed or handled) for each Packer Grower as either Sunkist or District Exchange may from time to time request. Without limiting the generality of the foregoing, Packer shall comply with any reasonable Sunkist crop estimating program. Sunkist and

District Exchange shall use any such information only for appropriate corporate purposes. Packer shall cooperate in any audit of the records of Packer or of any Affiliate thereof by Sunkist or District Exchange relevant to Packer's compliance with this Agreement. The audit of any such Affiliate will be limited to records relevant to fruit purchased or received by Affiliate from Packer and the sale or other disposition of that fruit. Packer shall permit Sunkist or District Exchange, or their respective authorized representatives to inspect Packer's facilities to verify Packer's compliance with this Agreement.

h) Sunkist Trademark Protections. Packer shall not at any time (i) register or use any trademark that is confusingly similar to any Sunkist Trademark; (ii) challenge the validity of any Sunkist Trademark or any registrations thereof; or (iii) take any action to interfere with, or to oppose, the registration or use by Sunkist of any Sunkist Trademark anywhere in the world in connection with any goods or services. Sunkist may enforce the obligations of Packer in this Section 3.h) by specific performance, including via restraining order and/or preliminary injunctive relief. Upon any termination or expiration of this Agreement for any reason, Packer shall immediately discontinue use of any Sunkist Trademark, except that Packer may liquidate through Sunkist any remaining inventory of fruit previously packed in packaging materials containing a Sunkist Trademark, but Packer shall not use any remaining unused inventory of packing materials that contains any Sunkist Trademark. Packer may however endeavor to resell or return, and resell or return, any such remaining inventory of unused packing materials to any other Packer licensed at that time by Sunkist to use the Sunkist Trademarks, or to Fruit Growers Supply Company.

4. Packer Representations and Warranties. Packer hereby represents, warrants and agrees, as of the date hereof and on a continuing basis thereafter during the term hereof, as follows:

a) (i) Packer is a corporation (or, if applicable, other legal entity indicated in the Preamble hereto) duly organized, validly existing, and in good standing in the State indicated in such Preamble; (ii) Packer has full legal right and authority to enter into this Agreement and the other documents to be delivered by Packer hereunder, and to consummate the transactions contemplated herein; (iii) each of the natural persons executing this Agreement on behalf of Packer is authorized to do so; and (iv) this Agreement constitutes a valid and legally binding obligation of Packer enforceable in accordance with its terms, subject to bankruptcy and similar laws of general application with respect to creditors.

b) WITHOUT LIMITING SUNKIST'S RIGHTS HEREUNDER TO REQUIRE PACKER TO COMPLY WITH ITS INSTRUCTIONS, RULES AND REGULATIONS REGARDING AUTHORIZED ACTIVITIES, SUNKIST'S SALES AND MARKETING POLICIES, PRACTICES, PROCEDURES AND EFFORTS, AS THEY MAY EXIST FROM TIME TO TIME ("**SUNKIST**

SALES AND MARKETING POLICIES") ARE NOT A PART OF THIS AGREEMENT AND SHALL NOT BE USED TO INTERPRET OR CONSTRUE THIS AGREEMENT OR ANY OF ITS PROVISIONS. WHILE PACKER MAY INCIDENTALLY BENEFIT FROM THEM, PACKER IS NOT A MEMBER OF SUNKIST (AND HAS NO SUNKIST MEMBERSHIP RIGHTS) BY VIRTUE OF THIS AGREEMENT OR ANY TRANSACTIONS CONTEMPLATED HEREBY. ACCORDINGLY, NOTHING HEREIN AND NO TRANSACTIONS CONTEMPLATED HEREBY ENTITLE PACKER TO ANY BENEFITS OR RIGHTS UNDER ANY SUNKIST SALES AND MARKETING POLICIES OR TO ANY MINIMUM OR OTHER PRICES, VOLUMES OR RESULTS, OR TO ANY OTHER LEVEL OR MEASURE OF PERFORMANCE, EITHER INDIVIDUALLY OR BY REFERENCE TO ANY OTHER PACKERS OR LOCAL ASSOCIATIONS IN THE SUNKIST SYSTEM. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, PACKER HAS NO RIGHT BY VIRTUE OF THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY TO EQUAL OR EQUITABLE TREATMENT OR RESULTS WITH RESPECT TO FRUIT MARKETING, WHETHER OR NOT SUCH TREATMENT OR RESULTS ARE MEASURED OR COMPARED AGAINST ANY OTHER LICENSED PACKINGHOUSES OR LOCAL ASSOCIATIONS. NO ACTUAL OR CLAIMED DISPARITY IN PACKER'S TREATMENT BY SUNKIST OR IN RESULTS OBTAINED BY PACKER, IN COMPARISON TO OTHER LICENSED PACKINGHOUSES OR LOCAL ASSOCIATIONS, SHALL FORM ANY PART OF THE BASIS OF ANY CLAIM AGAINST SUNKIST FOR BREACH OF ANY EXPRESS OR IMPLIED OBLIGATION UNDER THIS AGREEMENT.

c) Packer understands and acknowledges that Sunkist has a policy concerning conflicts of interest resulting from packinghouse ownerships, and that pursuant to this policy, the Sunkist Board of Directors may, in its discretion, terminate (effective immediately or otherwise) this Agreement if Packer and/or any Person who or which possesses any ownership or Control of Packer also possesses any ownership or Control of any citrus fruit packinghouse or marketing organization located in California or Arizona which is not an Affiliate of Sunkist.

d) Any amount due Sunkist from Packer for Packer's own account may be set off by Sunkist against any amount which Sunkist is or may become obligated to pay to Packer for Packer's own account. Any amount due Sunkist from a Packer Grower may be set off by Sunkist against any amount which Sunkist is or may become obligated to pay to Packer for such Packer Grower's account. In the event of any prospective termination of this Agreement, Sunkist shall be entitled to retain any amounts which in the judgment of Sunkist may be reasonably necessary to secure payment of amounts which Sunkist anticipates may subsequently become due to Sunkist from Packer for Packer's own account. In the event of any prospective termination of Packer Grower's membership in Sunkist, Sunkist shall be entitled to retain any amounts otherwise due to Packer with respect to such Packer Grower which in the judgment of Sunkist may be

reasonably necessary to secure payment of amounts which Sunkist anticipates may subsequently become due to Sunkist from such Packer Grower.

e) Sunkist is the marketing agent for its members, and not for Packer, and accordingly, Sunkist's obligations relating to the marketing of its members' fruit as set forth in its written agreements with its members are owed exclusively to such members, and not (directly or indirectly) to Packer; Packer is not a third-party beneficiary of any membership agreement between Sunkist and any of its members; and Packer as such has no claim to, or other interest in, by virtue of this Agreement or the transactions contemplated hereby, any capital fund or other assets or property of Sunkist, or in any Sunkist dividends paid or payable to Growers.

f) PACKER HAS NO RIGHTS TO USE, AND HAS NO INTEREST IN, ANY SUNKIST TRADEMARK EXCEPT AS EXPRESSLY PROVIDED BY THIS AGREEMENT. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, PACKER HAS NO RIGHTS TO USE, WITHOUT THE EXPRESS WRITTEN CONSENT OF SUNKIST, WHICH HAS EXCLUSIVE DISCRETION OVER THESE MATTERS, ANY SUNKIST TRADEMARK (I) ON ANY FRUIT OR OTHER PRODUCTS WHICH ARE NOT MARKETED BY SUNKIST, OR ARE NOT GROWN BY PACKER GROWERS, OR (II) IN CONNECTION WITH ANY OTHER TRADEMARK OR TRADE DRESS OR (III) IN CONNECTION WITH ANY USE EXCEPT AUTHORIZED ACTIVITIES.

g) Packer has the right to receive, pack and deliver for marketing and to market through Sunkist all of the fruit that it may deliver to Sunkist hereunder.

5. Events of Default. Each of the following constitutes an Event of Default hereunder:

(a) Any breach by a Party of any of its obligations, warranties or representations in this Agreement;

(b) A Party's (i) application for, or consent to or becoming subject to, the appointment of a receiver, trustee, custodian or liquidator for itself or any part of its property; (ii) making an assignment for the benefit of creditors; (iii) instituting any proceedings under any bankruptcy, reorganization, receivership, insolvency or other similar law affecting the rights of creditors generally, or filing a petition or answer seeking reorganization or an arrangement with creditors to take advantage of any insolvency law, or filing an answer admitting the material allegations of a bankruptcy, reorganization or insolvency petition filed against it; or (iv) becoming subject to any proceedings under any bankruptcy, reorganization, receivership, insolvency or other similar law affecting the rights of creditors generally, or having an order for

relief entered against it in any proceeding under any bankruptcy, reorganization, receivership, insolvency or other similar law affecting the rights of creditors generally; or

(c) The occurrence (in the reasonable opinion of Sunkist) of any fact, event, occurrence, condition or circumstance that materially and adversely affects, or could reasonably be expected to affect materially and adversely, (i) the business, assets or financial condition of Packer; (ii) the ability of Packer to perform its obligations under this Agreement; or (iii) the rights or remedies of Sunkist under this Agreement.

6. Terminations. In addition to such other rights or remedies as any nonbreaching Party may have under Law or otherwise, upon an Event of Default, a nonbreaching Party may terminate this Agreement, effective ten (10) days' after delivery of written notice of termination to the breaching Party; provided that the breaching Party will not be in default if the subject Event of Default is susceptible to cure and (a) the breaching Party commences to cure the Event of Default within such ten-day period and diligently and in good faith continues to cure the Event of Default, and (b) in any event completes such cure within thirty (30) days after delivery of the original written notice of termination to the breaching Party. A Party's fraud or breach of a representation or warranty or breach of under Section 5(b) above shall not susceptible to cure. Any Party hereto may voluntarily terminate this Agreement for any reason by delivering written notice of termination to the other Parties no later than ninety (90) days prior to the end of the harvest season for each variety of Packer Grower citrus fruit then being grown by Packer growers and handled by Packer hereunder. Said notice and termination shall apply to *all* varieties of such Packer Grower citrus fruit, but the effective date of such termination as to each such variety shall vary: such effective date shall be 11:59 p.m. on the last calendar day of the calendar month in which the harvest season within the relevant growing area(s) for each such variety ends ("**Harvest End Date**"), it being understood that the Harvest End Date for a given variety may vary according to the geographical area in which it is grown. Notwithstanding anything to the contrary expressed or implied herein, Sunkist shall have the right (in its sole discretion) to accelerate or to extend the effective date of a termination hereof as to each fruit variety to its Harvest End Date.

7. Insurance. Packer shall maintain, in full force and effect, a policy or policies of insurance covering bodily injury and property damage liability, including products liability, which policies shall be in the minimums of One Million Dollars ($1,000,000) per occurrence, Five Million Dollars ($5,000,000) in the aggregate and Five Million Dollars ($5,000,000) products-completed operations; provided, however, that Sunkist may from time to time require reasonable increases to all or any of the foregoing insurance amounts upon no less than sixty (60) days prior written notice to Packer. Packer shall name Sunkist as an additional insured on the aforementioned policy or policies, and said policy or policies shall contain a waiver of subrogation clause running to Sunkist with respect to loss or damage arising out of this Agreement. Each policy

shall contain a provision for thirty (30) calendar days advance, written notice of cancellation to Sunkist. Packer shall promptly request and promptly supply Sunkist with certificates evidencing all such insurance in the usual and customary form and substance.

8. Confidentiality. As used herein, "**Confidential Information**" means and includes any trade secrets or proprietary information of a Party, and all other information received by a Party from another Party in connection with or pursuant to this Agreement, whether or not specifically marked as "confidential", including, without limitation, sales information, member or customer lists received from a Party, pricing information or policies, computer programs or software, inventions (whether patentable or not), operational methods, marketing plans or strategies, product development techniques or plans, business plans, invention or research projects, forecasts, financial projections, sales projections, and all records containing or otherwise reflecting information concerning a Party's business or operations, transactions, members, customers, claims, assets, liabilities or future plans; provided, however, that Confidential Information shall not include information or material that (i) as of the date of receipt by a Party is available to the public in a manner not in breach of this Agreement or to a Packer Grower or to Sunkist or District Exchange by virtue of such Packer Grower's membership in Sunkist or District Exchange; (ii) at the time of receipt by a Party was known to such Party and for which such Party can provide evidence of that knowledge to the reasonable satisfaction of the other relevant Party or Parties; (iii) at any time is received in good faith by a Party from a third party who or which is lawfully in possession of the information or material; provided, however, that the third party had the right to transfer the same to such Party when it did so; or (iv) a Party may be legally required to disclose under applicable Law or to enforce its rights and remedies hereunder in an arbitration or a legal proceeding. Each Party shall, both during the term hereof and following any termination of this Agreement, hold and maintain all Confidential Information in confidence, and shall require and take such actions to ensure that each of its employees and agents do the same. Except as hereafter authorized in writing by the relevant other Party or Parties, a Party shall not disclose any Confidential Information in any manner, whether via publication, electronic or facsimile medium or transmission, orally, in writing or otherwise, to any Person other than those Persons whose services are contemplated for the purposes of carrying out this Agreement, provided that such Persons agree to be bound by, and comply with the provisions of this Section.

9. Indemnification. Packer shall and hereby does, promptly, competently, completely and at no cost to Sunkist or District Exchange, indemnify, hold harmless and agree to defend (with counsel reasonably acceptable to Sunkist or District Exchange, as the case may be) Sunkist, District Exchange, and their respective directors, officers, employees and agents, harmless from and against any and all actions, suits, proceedings, hearings, investigations, charges, complaints, claims, demands, injunctions, judgments, orders, decrees, rulings, damages, dues, penalties, fines, costs, amounts paid in settlement, liabilities, obligations, taxes, liens, losses, injuries to or death of natural persons, damages to or destruction of property, disbursements, expenses, and fees, including, without limitation, court or investigative costs and attorneys' or accountants' fees and expenses (all the foregoing collectively "**Claims**"), arising out of, or in

connection with any act or omission by Packer, including, without limitation, any breach by Packer of the terms of this Agreement, except that the foregoing shall not apply as to Sunkist or District Exchange (as the case may be) to the extent (if any) it is responsible for any Excluded Claims. As used herein, "**Excluded Claims**" mean any Claims that (i) result directly and primarily from an act or omission of (as the case may be) Sunkist or District Exchange, including, without limitation, a breach by Sunkist or District Exchange of its obligations under this Agreement, or (ii) in respect to third-party suits alleging trademark and/or domain name infringement, resulting from Packer's use of the Sunkist Trademark as authorized hereunder. Each of Sunkist and District Exchange (acting severally and not jointly) shall and hereby does, promptly, competently, completely and at no cost to Packer, indemnify, hold harmless and agree to defend (with counsel reasonably acceptable to Packer) Packer and its directors, officers, employees, and agents from and against any and all Excluded Claims for which such indemnitor is responsible.

10. Damage Limitation. Each Party (and its officers, directors, employees, Affiliates, subsidiaries, members, agents and representatives) shall not be liable hereunder to any other Party for any punitive or exemplary damages.

11. Arbitration And Litigation. Any and all disputes hereunder between Sunkist and/or District Exchange (on the one hand) and Packer (on the other hand), including those arising from or related to this Agreement, shall be submitted to binding arbitration in the County of Los Angeles, State of California. The involved Parties shall agree on a single, neutral arbitrator or, failing such agreement after thirty (30) days following written demand for arbitration, the arbitrator shall be selected pursuant to the procedures of the California Arbitration Act (California *Code of Civil Procedure* section 1281.6). In addition, the ethics, disclosure, disqualification and other provisions of California Code of Civil Procedure sections 1281.85 through 1281.96, inclusive, shall apply. The arbitration itself, including related proceedings prior to the arbitration, shall be conducted pursuant to the American Arbitration Association's commercial arbitration rules. Proceedings after any arbitration award shall be governed by California *Code of Civil Procedure* sections 1285 through 1288.8, inclusive. Notwithstanding the foregoing, one or more Parties, without waiting for the demand for or the conclusion of arbitration, may commence legal action in the appropriate venue to seek interim, provisional or other prejudgment relief or remedies (including, but not limited to, temporary restraining orders, preliminary injunctions and attachments), to the extent that the Party or Parties, in the exercise of good faith, believe that such relief or remedies are appropriate or necessary to protect that Party's rights or property before the arbitration would be concluded. Any such legal action by one Party against another Party or Parties may be commenced and maintained only in a state or a federal court with venue and competent jurisdiction in the County of Los Angeles, State of California, and the Parties irrevocably submit and agree to the exclusive jurisdiction and venue of such courts, and waive any objection thereto, including, without limitation, any objection based upon *forum non conveniens*, or lack of personal jurisdiction.

12. Time Limitations. No arbitration or legal action brought hereunder involving Sunkist (or an Affiliate thereof), District Exchange or Packer shall be had or maintained unless such arbitration or legal action is commenced within two (2) years after the alleged claim or alleged cause of action has accrued.

13. Governing Law. This Agreement shall be governed by California law without giving effect to any choice-of-law rule that would cause the application of the laws of any jurisdiction other than the internal laws of the State of California to the rights and duties of the Parties.

14. Transfer Without Consent Prohibited. Neither this Agreement nor any of the rights, permissions, licenses or privileges granted under this Agreement may be sold, assigned, conveyed, pledged, or otherwise transferred, by Packer without the prior, specific, written consent of Sunkist, which consent Sunkist may withhold or delay in its sole and complete discretion. Any attempt by Packer to sell, assign, convey, pledge (other than for financings in the normal course of business), or otherwise transfer in violation of this Section shall be null and void *ab initio* and of no force and effect, and shall constitute grounds for Sunkist's immediate termination of this Agreement at its option. For purposes of this Section, the sale, assignment, conveyance, pledge, or other transfer (whether in one transaction or a series of transactions occurring over any twelve-month period) of a cumulative thirty-three percent (33%) or more of Packer's voting power, stock or other equity shall constitute a transfer that requires Sunkist's prior written consent hereunder. Subject to the foregoing, this Agreement is binding on the Parties' successors and assigns expressly permitted hereunder.

15. Severability of this Agreement. In the event that any of the provisions of this Agreement shall be declared by a court to be void or unenforceable, then such provision shall be severed from this Agreement without affecting the validity and enforceability of any of the other provisions hereof, and the Parties shall negotiate in good faith to replace such unenforceable or void provisions with a similar clause to achieve, to the extent permitted under law, the purpose and intent of the provisions declared void and unenforceable.

16. Force Majeure. No Party shall be liable for any delays or failures to perform any of its obligations hereunder due to any causes or contingencies which are not reasonable foreseeable and are beyond such Party's reasonable control, including, but not limited to, severe weather (such as freezes), fires, accidents, acts of God and war; provided, however, that the Party whose performance is limited or prevented continues to use all commercially reasonable efforts to resume its performance hereunder.

17. Incorporations; Captions; Interpretive Rules. Any preamble, recitals, schedules and exhibits hereto are hereby incorporated into this Agreement and made a part hereof, but any captions and section headings appearing herein are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement. Defined terms used herein in the singular include the plural and vice-versa. "**Hereto**", "**hereunder**", "**herein**" and "**hereof**" refer to this Agreement

in its entirety, and not to any particular paragraph, section or portion of this Agreement. All pronouns and all variations thereof will be deemed to refer to the masculine, feminine, or neuter, as the context in which they are used may require.

18. Notices. All notices, requests, demands and other communications to a Party hereunder shall be in writing and shall be given to such Party at its mailing address or facsimile number set forth below or such other mailing address or facsimile number as such Party may hereafter specify for the purpose of notice to the other Parties. Each such notice, request or other communication shall be effective if given: (i) by facsimile, when such facsimile is transmitted to the fax number specified pursuant to this Section and a confirmation report is produced by the sender's fax machine; (ii) by registered or certified mail, return receipt requested, seventy-two (72) hours after such communication is deposited in the U.S. mails with postage prepaid, addressed as aforesaid; or (iii) by any other means (including, without limitation, reputable overnight courier service) when delivered at the mailing address specified pursuant to this Section.

If to Sunkist:

Sunkist Growers, Inc.
222 West Lindmore Street
Lindsay, California 93247
Attention: Director, Grower Relations

With a copy to:

Sunkist Growers, Inc.
14130 Riverside Drive
Sherman Oaks, California 91423-2313
Attention: Legal Department

If to District Exchange:

Ventura County Fruit Exchange
1141 Cummings Road
Santa Paula, California 93060
Attention: Harold Edwards, President

If to Packer:

Limoneira Company,
1141 Cummings Road
Santa Paula, California 93060
Attention: Harold Edwards, President

19. Prior and Contemporaneous Amendments Superseded. This Agreement constitutes the entire agreement among the Parties, and supersedes and voids any and all

prior and contemporaneous agreements, understandings, promises, representations, discussions, practices, methods of dealing and other communications among the Parties with respect to the subject-matter hereof.

20. No Waivers; Remedies Cumulative. No failure or delay by a Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies provided herein shall be cumulative and not exclusive of any rights or remedies provided by applicable Law.

21. Amendments and Waivers. Any addition, deletion, waiver or modification affecting this Agreement shall be effective only if in writing and signed by all Parties.

22. Investigation. Notwithstanding any past, present or future right of any Party to investigate the affairs of another Party and notwithstanding any past, present or future knowledge of facts determined or determinable by such Party pursuant to such investigation or right of investigation, such Party has the right to rely upon the representations, warranties, and agreements now or hereafter made by any other Party hereunder.

23. Time is of the Essence. Time is of the essence of this Agreement.

24. Fair Construction. The terms of this Agreement have been negotiated by the Parties hereto, and the language used in this Agreement shall be deemed to be the language chosen by the Parties hereto to express their mutual intent. This Agreement shall be construed without regard to any presumption or rule requiring construction against the Party causing this Agreement or any portion thereof to be drafted, or in favor of the Party receiving a particular benefit under the same. Without limiting the generality of the foregoing, this Agreement shall be construed without regard to, or aid of, California Civil Code Section 1654 or California Code of Civil Procedure Section 1864, and shall not be construed against a Party because of such Party's involvement in its preparation or drafting.

25. Parties' Relationship. Notwithstanding any provision of this Agreement or any document or transaction contemplated hereby to the contrary, the relationship between the Sunkist and District Exchange on the one hand and Packer on the other in connection with this Agreement is intended to be, and the Parties specifically agree that it is, limited to a contractual relationship between third parties in a commercial transaction between sophisticated commercial Persons dealing with each other on an arm's-length basis.

26. Counterparts. This Agreement may be executed in any number of counterparts each of which shall be deemed an original and all of which shall constitute one and the same agreement with the same effect as if all Parties had signed the same signature page. Any signature page of this Agreement may be detached from any

counterpart of this Agreement and reattached to any other counterpart of this Agreement identical in form hereto but having attached to it one or more additional signature pages.

27. Parties' Expenses. Each Party shall pay its own costs and expenses incurred in connection with the preparation, negotiation and execution of this Agreement.

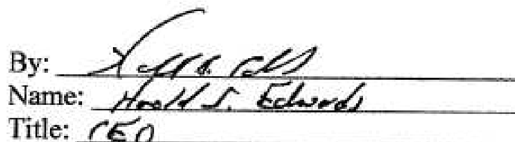
28. Prevailing Party. If a Party brings any legal suit, action, arbitration or proceeding against another Party arising out of, relating to, or concerning the interpretation or the enforcement of rights and duties hereunder or any transaction related hereto (collectively, an "**Action**"), the losing Party shall pay to the prevailing Party a reasonable sum for attorneys' fees and shall reimburse all costs (whether or not such costs are otherwise recoverable under the provisions of the California Code of Civil Procedure or other statutory law of California or any other jurisdiction) incurred in connection with the prosecution or defense of such Action and/or enforcement of any judgment, order, ruling or award granted therein, all of which shall be deemed to have accrued on the commencement of such Action and shall be paid whether or not such Action is prosecuted to a judgment, order, ruling or award. "**Prevailing Party**" within the meaning of this Section includes, without limitation, a Party which agrees to dismiss an Action on the other Party's payment of some or all sums allegedly due or performance of some or all of the covenants allegedly breached, or which obtains substantially the relief sought by it.

29. Survival. All indemnities, rights, remedies, representations and warranties contained herein shall survive the expiration or termination of this Agreement, and no termination or expiration hereof shall relieve either Party from liability for any previous breach of this Agreement. Without limiting the generality of the foregoing, the following sections shall survive any termination or expiration of this Agreement: Sections 4(d), 7 through 15 (inclusive), 18, 21, 28, 29 and 30.

30. Liquidated Damages for Packer's Breach. In the event that Packer breaches its obligations under Section 3(c) not to market, sell or dispose of, nor to attempt to market, sell or dispose of, any Grower citrus fruit except by or through Sunkist in accordance with the terms and conditions hereof, such act will injure Sunkist and its members in an amount that is, and will be, impractical and extremely difficult to determine and fix. The said damages are, therefore, fixed at one dollar ($1.00) per carton on all fresh fruit and sixty dollars ($60) per ton for all products fruit that is sold, marketed or disposed of contrary to the provisions of this Agreement. Packer shall pay said amount to Sunkist as liquidated damages, and in default of payment thereof to Sunkist upon demand, the same may be recovered in an arbitration or action in any court of competent jurisdiction in the name of Sunkist, and in any case, Sunkist shall recover from Packer in addition to said liquidated damages, all costs, premiums for bonds, expenses and fees, including attorneys' fees, in such arbitration or action. Nothing contained in this Section shall limit or otherwise diminish Sunkist's right to terminate this Agreement as provided elsewhere herein.

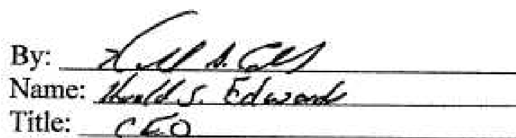
IN WITNESS WHEREOF this Agreement is executed as of the day and date first above written.

PACKER:
LIMONEIRA COMPANY



By: ____________________
Name: Harold S. Edwards
Title: CEO

DISTRICT EXCHANGE:
VENTURA COUNTY FRUIT EXCHANGE



By: ____________________
Name: Harold S. Edwards
Title: CEO

SUNKIST: SUNKIST GROWERS, INC.

By: ____________________
Name: John Caragozian
Title: Corporate Secretary

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IN WITNESS WHEREOF this Agreement is executed as of the day and date first above written.

PACKER:
LIMONEIRA COMPANY

By: ______________________________
Name: ______________________________
Title: ______________________________

DISTRICT EXCHANGE:
VENTURA COUNTY FRUIT EXCHANGE

By: ______________________________
Name: ______________________________
Title: ______________________________

SUNKIST: SUNKIST GROWERS, INC.

By: ______________________________
Name: John Caragozian
Title: Corporate Secretary

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AVOCADO MARKETING AGREEMENT

This avocado marketing agreement is being entered into by and between **CALAVO GROWERS, INC.** (Calavo), whose mailing address is 2530 Red Hill Avenue, Santa Ana, California, 92705-5542, and Limoneira Co. (Grower), whose mailing address is 1141 Cummings Rd and whose social security or federal tax identification number is 77-0260692.

This agreement shall be effective 2/8/03 , and shall continue in effect until terminated at any time by either party upon written notice to the other.

Grower shall deliver California avocados to Calavo and deliveries will be acknowledged by the issuance of Calavo receipt forms.

Calavo agrees to receive, handle, market and sell the avocados in such markets and at such prices and at such terms as Calavo shall determine. Title will pass to Calavo upon delivery to Calavo's facility. Calavo will apply its grades and standards in the handling of the avocados and Grower agrees to be bound by Calavo's grades and standards.

Calavo will pay Grower for delivered avocados by variety, size and grade on a pooled basis on approximately the 15th (fifteenth) day of the month following delivery. Calavo will deduct from its payment to Grower any advances on picking and hauling, Marketing Order assessments and other normal or mandatory deductions that are customary in the industry.

Grower warrants that the avocados have been grown and harvested in conformity with all applicable federal, state and local laws and regulations.

Grower warrants that he is the owner of the avocados.

This Agreement constitutes the entire agreement between Calavo and Grower and may not be modified expect by both parties' written agreement.

This Agreement is made under the laws of the State of California and may be terminated at any time by either party upon written notice.

Any dispute under this Agreement shall be resolved by arbitration in Santa Ana, California pursuant to the rules, then obtaining, of the American Arbitration Association and the prevailing party shall be entitled to reasonable attorney's fees and all costs.

GROWER		**CALAVO GROWERS, INC.**	
Executed at:	Santa Paula *(City)*		
This Date:	2/8/03	By:	
By:		Date:	

JUNE 1, 2005

Harold S. Edwards
President & CEO
Limoneira Company
1141 Cummings Road
Santa Paula, CA 93060

Lecil E. Cole
Chairman and CEO
Calavo Growers, Inc.
2530 Red Hill Avenue
P.O. Box 26081
Santa Ana, CA 92705-5542

Re: Letter Agreement Regarding Fruit Commitment

Dear Messrs. Edwards and Cole:

This Letter Agreement sets forth the mutual understanding and contractual agreement between Limoneira Company, a Delaware corporation ("Limoneira"), and Calavo Growers, Inc., a California corporation ("Calavo"), with respect to the marketing of Limoneira's avocados by Calavo. Calavo agrees to pay to Limoneira quarterly for Limoneira's avocados marketed through Calavo $.04 per pound over and above the normal pool price paid by Calavo to growers. Limoneira shall be entitled to verify from time to time the pack-outs reported by Calavo on Limoneira fruit by picking the fruit from a specific orchard block, delivering half of the fruit to Calavo and half to another packer, then comparing the pack-outs reported by each. If the pack-outs reported by Calavo are more than 3% below those reported by the other packer, Limoneira may terminate this Agreement and the Avocado Marketing Agreement described below. In addition to the $.04 per pound allowance provided for above, Calavo shall pay to Limoneira a "haul credit" not less than that paid by Calavo to other growers, and in no event less than $.015 per pound.

This Agreement shall renew annually upon the execution and delivery by Limoneira and Calavo of an Avocado Marketing Agreement in the form of that attached heroto as Exhibit A. Such Marketing Agreement may be modified from time to time by mutual agreement of the parties.

CALAVO GROWERS, INC.	LIMONEIRA COMPANY
By: /s/ Lecil E. Cole	By /s/ Harold S. Edwards
Name & Title: Lecil E. Cole CEO	Name & Title: Harold S. Edwards CEO

Exhibit 10.3

STOCK PURCHASE AGREEMENT

between

LIMONEIRA COMPANY

and

CALAVO GROWERS, INC.

June 1, 2005

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STOCK PURCHASE AGREEMENT

THIS AGREEMENT is made and entered into as of June 1, 2005, by and between LIMONEIRA COMPANY, a Delaware corporation ("Limco"), and CALAVO GROWERS, INC., a California corporation ("Calavo").

RECITALS

A. Limco is engaged primarily in the business of growing and marketing avocados, citrus fruits and other specialty crops.

B. Calavo is engaged in the business of marketing fresh avocados and processed avocado products throughout the U.S.A.

C. Limco and Calavo desire to form a strategic alliance by each purchasing shares of common stock of the other as provided herein and by carrying out the further transactions and activities provided for herein.

AGREEMENT

NOW, THEREFORE, as the parties agree as follows:

ARTICLE 1

DEFINITIONS

In addition to the meanings ascribed to certain terms elsewhere in this Agreement, for purposes of this Agreement:

"Accredited Investor" has the meaning set forth in Regulation D promulgated under the Securities Act.

"Adverse Consequences" means all actions, suits, proceedings, hearings, investigations, charges, complaints, claims, demands, injunctions, judgments, orders, decrees, rulings, damages, dues, penalties, fines, costs, amounts paid in settlement, Liabilities, obligations, Taxes, liens, losses, expenses, and fees, including court costs and reasonable attorneys' fees and expenses.

"Affiliate" has the meaning set forth in Rule 12b-2 of the regulations promulgated under Securities Exchange Act.

"Basis" means any past or present fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act, or transaction that forms or could form the basis for any specified consequence.

"Calavo Shares" shall mean the 1,000,000 shares of newly-issued common stock, $.001 par value per share, of Calavo to be purchased by Limco as provided in Article 3 hereof.

"COBRA" means the requirements of Part 6 of Subtitle B of Title I of ERISA and Code §4980B and of any similar state law.

"Code" means the Internal Revenue Code of 1986, as amended.

"Confidential Information" means any information concerning the business and affairs of either party not already generally available to the public.

"Employee Benefit Plan" means any "employee benefit plan" (as such term is defined in ERISA §3(3)) and any other material employee benefit plan, program or arrangement of any kind.

"Employee Pension Benefit Plan" has the meaning set forth in ERISA §3(2).

"Employee Welfare Benefit Plan" has the meaning set forth in ERISA §3(1).

"Environmental, Health, and Safety Requirements" shall mean all federal, state, local and foreign statutes, regulations, ordinances and other provisions having the force or effect of law, all judicial and administrative orders and determinations, all contractual obligations and all common law concerning public health and safety, worker health and safety, and pollutions or protection of the environment, including without limitation all those relating to the presence, use, production, generation, handling, transportation, treatment, storage, disposal, distribution, labeling, testing, processing, discharge, release, threatened release, control, or cleanup of any hazardous materials, substances or wastes, chemical substances or mixtures, pesticides, pollutants, contaminants, toxic chemicals, petroleum products or by products, asbestos, polychlorinated biphenyls, noise or radiation, each as amended and as now or hereafter in effect.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" means each entity which is treated as a single employer with Limco or Calavo for purposes of Code §414.

"Fiduciary" has the meaning set forth in ERISA §3(21).

"Financial Statements" has the meaning set forth in Sections 10.7 and 11.7 below.

"GAAP" means United States generally accepted accounting principles as in effect from time to time.

"Initial Closing" has the meaning set forth in Article 9 below.

"Initial Closing Date" has the meaning set forth in Article 9 below.

"Intellectual Property" means (a) all inventions (whether patentable or unpatentable and whether or not reduced to practice), all improvements thereto, and all patent applications, and patent disclosures, together with all reissuances, continuations, continuations-in-part, revisions, extensions, and reexaminations thereof, (b) all trademarks, service marks, trade dress, logos, trade names, and corporate names, together with all translations, adaptations, derivations, and combinations thereof and including all goodwill associated therewith, and all applications, registrations, and renewals in connection therewith, (d) all mask works and all applications, registrations, and renewals in connection therewith, (e) all trade secrets and confidential business information (including software and source codes, ideas, research and development, know-how, formulas, compositions, manufacturing and production processes and techniques, technical data, designs, drawings, specifications, customer and supplier lists, pricing and cost information, and business and marketing plans and proposals), (f) all computer software (including data and related documentation), (g) all other proprietary rights, (h) all web domain names and websites and all registrations and applications associated therewith, and all its derivatives, and (i) all copies and tangible embodiments thereof (in whatever form or medium).

"Knowledge" means actual knowledge after reasonable inquiry of internal personnel deemed appropriate by the Party making the inquiry.

"Leased Real Property" means all leasehold or subleasehold estates and other rights to use or occupy any land, buildings, structures, improvements, fixtures or other interest in real property held by either Limco or Calavo.

"Leases" means all leases, subleases, licenses, concessions and other agreements (written or oral), including all amendments, extensions, renewals, guaranties and other agreements with respect thereto, pursuant to which Limco or Calavo holds any Leased Real Property.

"Liability" means any liability (whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated, and whether due or to become due).

"Limco Shares" means the 172,857shares of newly issued common stock, $.01 par value per share, of Limco to be purchased by Calavo as provided in Article 2 hereof.

"Material Adverse Change or Condition" means any occurrence or condition or series of related occurrences or conditions not disclosed in the Financial Statements or Most Recent Financial Statements of either party or, in the case of Calavo, Calavo's Securities Exchange Act reports that would individually or cumulatively reduce by Five Hundred Thousand Dollars ($500,000) or more the results of operations, financial condition or value of the assets, or properties of either party.

"Mission" means Mission Produce, Inc., a California corporation.

"Mission Closing" has the meaning set forth in Article 9 below.

"Mission Shares" means the 547,452 shares of common stock of Mission which Limco has the right to put to Calavo as provided in Article 4 hereof, if Limco does not sell them to Mission.

"Most Recent Financial Statements" has the meaning set for in Sections 10.7 and 11.7 below.

"Most Recent Fiscal Month End" has the meaning set forth in Sections 10.7 and 11.7 below.

"Multiemployer Plan" has the meaning set forth in ERISA §3(37).

"Ordinary Course of Business" means the ordinary course of business consistent with past custom and practice (including with respect to quantity and frequency).

"Party" means either Limco or Calavo as the case may be.

"PBGC" means the Pension Benefit Guaranty Corporation.

"Person" means any individual, a partnership, a corporation, an association, a joint stock company, a trust, a joint venture, a limited liability company, an unincorporated organization, or a governmental entity (or any department, agency, or political subdivision thereof).

"Prohibited Transaction" has the meaning set forth in ERISA §406 and Code §4975.

"Reportable Event" has the meaning set forth in ERISA §4043.

"Securities Act" means the Securities Act of 1933, as amended.

"Securities Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Security Interest" means any mortgage, pledge, lien, encumbrance, charge or other security interest, other than (a) mechanic's, materialmen's, and similar liens, (b) liens for Taxes not yet due and payable or for Taxes that the taxpayer is contesting in good faith through appropriate proceedings, (c) purchase money liens and liens securing rental payments under capital lease arrangements, and (d) other liens arising in the Ordinary Course of Business and not incurred in connection with the borrowing of money.

"Subsidiary" means (i) any corporation with respect to which a specified Person (or a Subsidiary thereof) owns a majority of the common stock or has the power to vote or direct the voting of sufficient securities to elect a majority of the directors or (ii) any limited liability company with respect to which a person owns a majority of the voting power and/or interest in profits and losses.

"Tax" means any federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Code §59A), customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not.

"Tax Return" means any return, declaration, report, claims for refund, information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

ARTICLE 2

PURCHASE AND SALE OF LIMCO SHARES

Limco agrees to sell and Calavo agrees to purchase the Limco Shares, free and clear of all liens, encumbrances or claims of others, for the cash purchase price of $23,450,000. Such purchase price shall be paid by Calavo at the Initial Closing by means of a wire transfer of immediately available funds to an account designated by Limco.

ARTICLE 3

PURCHASE AND SALE OF CALAVO SHARES

Calavo agrees to sell and Limco agrees to purchase the Calavo Shares, free and clear of all liens, encumbrances or claims of others, for the purchase price of $10,000,000. Such purchase price shall be paid by Limco at the Initial Closing by means of a wire transfer of immediately available funds to an account designated by Calavo.

ARTICLE 4

PURCHASE AND SALE OF MISSION SHARES

Calavo and Limco acknowledge and agree that the Mission Shares are subject to certain rights of first refusal set forth in a Shareholder Agreement dated June 5, 1990 and may not be sold unless both the issuer, Mission and its shareholders waive or fail to exercise their respective rights of first refusal and the merger or other business combination transaction have not been agreed to by Calavo and Mission. Mission has entered into an agreement to repurchase the Mission Shares from Limco on or before June 15, 2005. In the event that Mission fails to repurchase the Mission Shares and subject to the condition that the rights of first refusal with respect to the Mission Shares are either waived or not exercised in a timely fashion, and subject to the terms and conditions of Section 9.4, Limco agrees to sell and Calavo agrees to purchase the Mission Shares, free and clear of all liens, encumbrances or claims of others, for a cash purchase price of $5,474,520. Such purchase price shall be paid by Calavo to Limco at the Mission Closing by means of a wire transfer of immediately available funds to an account designated by Limco. Limco represents and warrants to Calavo that (i) Limco owns the Mission Shares free and clear of all liens, security interests and other encumbrances, and has the right to sell the Mission Shares to Calavo on the terms described in this Agreement, subject to the rights of first refusal set forth in the Shareholder Agreement dated June 5, 1990, and (ii) to Limco's knowledge, the Mission Shares constitute 20.7% of the outstanding capital stock of Mission Produce, Inc.

ARTICLE 5

OFFICE LEASE

On or before the Initial Closing Date, Limco and Calavo shall execute and deliver to each other a Lease Agreement in the form of that attached hereto as Exhibit 5 hereof, pursuant to which Calavo agrees to lease from Limco approximately 9,490 square feet of office space in Limco's Ranch Headquarters for a period of ten years at an initial annual gross rental of $207,226.

ARTICLE 6

FRUIT COMMITMENT AGREEMENT

At the Initial Closing, Limco and Calavo shall execute and deliver to each other a letter agreement, to be in form and substance reasonably satisfactory to each Party, regarding the marketing of Limco's avocados by Calavo.

ARTICLE 7

JOINT DEVELOPMENT OF PACKING HOUSE

Following the Initial Closing, Limco and Calavo shall use their good faith reasonable efforts to maximize avocado packing efficiencies for both parties by consolidating their fruit packing operations. Possible opportunities to be considered will include:

(1) Cross dock and storage arrangement in Limco's existing facilities

(2) Investment in Limco's existing vacant orange packing house

(3) Investment in an addition to Limco's existing lemon packing facility

(4) Investment in a new consolidated facility for both parties at Limco

Any such joint investment that is agreed to by Calavo and Limco shall provide a reasonable rate of return to the party or parties providing land equipment and/or capital.

ARTICLE 8

STANDSTILL AGREEMENTS

Calavo, together with its executive officers and directors (collectively "Calavo Affiliates"), shall execute and deliver at the Initial Closing, one or more counterparts of a "Standstill Agreement" in the form of Exhibit 8A hereof, pursuant to which (i) Calavo agrees that it will not, without the prior written approval of Limco's Board of Directors, purchase or enter into any transaction whereby Calavo will acquire cumulatively twelve and six tenths percent (12.6%) of the capital stock of Limco in addition to the Limco Shares being acquired hereunder and (ii) Calavo and the Calavo Affiliates agree that they will not, individually or collectively, themselves or together with any third party or parties form a "group" as defined in the Securities Exchange Act for the purpose of acquiring voting control and/or beneficial ownership of a majority of Limco's capital stock. Limco, together with its executive officers and directors (collectively "Limco Affiliates"), shall execute and deliver at the Initial Closing, one or more counterparts of a "Standstill Agreement" in the form of Exhibit 8B hereof, pursuant to which (i) Limco agrees that it will not, without the prior written approval of Calavo's Board of Directors, purchase or enter into any transaction whereby Limco will acquire cumulatively twelve and six tenths percent (12.6%) of the capital stock of

---

Calavo in addition to the Calavo Shares being acquired hereunder and (ii) Limco and the Limco Affiliates agree that they will not, individually or collectively, themselves or together with any third party or parties form a "group" as defined in the Securities Exchange Act for the purpose of acquiring voting control and/or beneficial ownership of a majority of Calavo's capital stock.

ARTICLE 9

THE INITIAL CLOSING AND THE MISSION CLOSING

9.1 Initial Closing and Initial Closing Date. Subject to the conditions to closing set forth herein, the consummation of the transactions contemplated by this Agreement (other than the sale of the Mission Shares) shall be effected at a closing (the "Initial Closing") at 10:00 a.m., Pacific Daylight Savings Time, on a date, agreed to by Calavo and Limco that is not more than 5 days following the satisfaction or waiver of the Initial Closing conditions described in Articles 14 and 15. The Initial Closing shall take place at the Ranch Headquarters of Limco at 1141 Cummings Road, Santa Paula, California 93060. The Initial Closing may also take place at such other time and place as Limco and Calavo may mutually agree. All transactions effected at the Initial Closing, unless otherwise specifically agreed in writing, shall be effective on and as of the Initial Closing Date.

9.2 Deliveries by Limco at the Initial Closing. At the Initial Closing, Limco shall deliver to Calavo:

(a) Limco Shares. The purchase price for the Calavo Shares and one or more certificates evidencing the Limco Shares duly executed and issued in the name of Calavo; together with a completed and signed form of Notice of Transaction Pursuant to Corporations Code Section 25102(f). The Limco Shares will be "restricted securities" under federal and state securities laws and will be issued with a legend restricting any form of transfer for a period of one year from issuance and thereafter only pursuant to an exemption from registration and an opinion of counsel reasonably acceptable to Limco that an exemption from registration is available with respect to the proposed transfer. Such legend shall also reference Limco's right of first refusal provided for in Article 16 hereof.

(b) Office Lease. A duly executed counterpart of the Office Lease in the form of Exhibit 5 hereof.

(c) Avocado Marketing Letter Agreement. A duly executed counterpart of the avocado marketing letter agreement referred to in Article 6.

(d) Certificates. A copy of the resolutions adopted by Limco's Board of Directors authorizing and approving the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, certified by an officer of Limco; a certificate of incumbency of Limco in form and substance reasonably satisfactory to Calavo or its counsel; and the Certificate of the Chief Executive Officer of Limco described in Section 15.7.

(e) Certificate of Public Official. A certificate, dated not more than five (5) days prior to the Initial Closing Date, of the Secretary of the State of Delaware certifying that Limco is a corporation in good standing as a domestic corporation and has paid all corporation taxes payable in that jurisdiction.

(f) Standstill Agreements. Duly executed counterparts of the two Standstill Agreements in the form of Exhibits 8A and 8B hereof, executed by the Persons described in Articles 8 above.

(g) Other Documents. The Certificate of Incorporation and Bylaws of Limco, as amended to date, and all other documents and instruments which, in the reasonable opinion of Calavo or its counsel, will be necessary to effectuate the terms and conditions of this Agreement, the obligations of Limco hereunder, and the consummation of the transaction contemplated hereby.

9.3 Deliveries by Calavo at the Initial Closing. At the Initial Closing, Calavo shall deliver to Limco:

(a) Purchase Price. The purchase price for the Limco Shares.

(b) Calavo Shares. One or more certificates, evidencing the Calavo Shares, duly executed and issued in the name of Limco, together with a completed and signed Form D. The Calavo shares will be "restricted securities" under federal and state securities laws and will be issued with a legend restricting any form of transfer for a period of one year from issuance and thereafter only pursuant to an exemption from registration and an opinion of counsel,

reasonably acceptable to Calavo that an exemption from registration is available with respect to the proposed transactions. Such legend shall also reference Calavo's right of first refusal provided in Article 16 hereof.

(c) Office Lease. A duly executed counterpart of the Office Lease in the form of Exhibit 5 hereof.

(d) Avocado Marketing Letter Agreement. A duly executed counterpart of the avocado marketing letter agreement referred to in Article 6.

(e) Standstill Agreements. Duly executed counterparts of the two Standstill Agreements in the form of Exhibits 8A and 8B hereof, executed by the Persons described in Article 8 above.

(f) Certificates. A copy of the resolutions adopted by Calavo's Board of Directors authorizing and approving the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, certified by an officer of Calavo; a certificate of incumbency of Calavo in form and substance reasonably satisfactory to Limco or its counsel; and the Certificate of the Chief Executive Officer of Calavo described in Section 14.7.

(g) Certificate of Public Official. A Certificate, dated not more than five (5) days prior to the Initial Closing Date, of the California Secretary of State certifying that Calavo is in good standing as a domestic corporation of that state and has paid all corporation taxes payable in that state.

(h) Other Documents. The Articles of Incorporation and Bylaws of Calavo, as amended to date, and any and all other documents and instruments which, in the reasonable opinion of counsel to Limco, will be necessary to effectuate the terms and conditions of this Agreement and the obligations of Calavo hereunder.

9.4 Mission Closing and Mission Closing Date. Calavo and Mission may reopen their negotiations regarding a possible acquisition of Mission by Calavo or other business combination transaction between those two entities. In order to facilitate such potential negotiations, Limco and Calavo have agreed that if Mission fails to repurchase the Mission Shares from Limco, Calavo and Limco may postpone the sale of the Mission Shares by Limco to Calavo for a limited period of time. Accordingly, Limco may, in its sole discretion, postpone the closing for the purchase and sale of the Mission Shares (the "Mission Closing") to a date not later than 180 days following the Initial Closing Date designated by Limco to Calavo in writing not less than 75 days in advance (the "Mission Closing Date"). In the event that Calavo and Mission enter into a binding agreement prior to the Mission Closing Date for a merger or other business combination of such entities and/or their affiliates, either prior or subsequent to Limco's designation of the Mission Closing Date, Limco may, at its sole election, either proceed with the Mission Closing on the sale of the Mission Shares to Calavo for a cash purchase price of $5,474,520 or dispose of the Mission Shares through the merger or other business combination of Calavo and Mission. At the Mission Closing, (i) Limco shall deliver to Calavo one or more certificates representing the Mission Shares, duly endorsed or accompanied by executed instruments of transfer sufficient to transfer title to the Mission Shares to Calavo beneficially and of record and free and clear of all liens and encumbrances other than the obligations thereafter imposed upon Calavo by the Shareholder Agreement dated June 5, 1990, and (ii) Calavo shall deliver to Limoniera the purchase price for the Mission Shares in the amount of $5,474,520, by wire transfer to an account designated by Limco.

ARTICLE 10

REPRESENTATIONS AND WARRANTIES OF LIMCO

Limco makes the following representations and warranties to Calavo, subject to and qualified by any fact or facts disclosed in the Schedules that are provided to Calavo as required in this Agreement. Disclosure of an item in a Schedule corresponding to a particular Section in this Agreement shall, should

the existence of the item or its

contents be relevant to any other Section, be deemed to be disclosed in that other Section whether or not an explicit cross-reference appears as long as it is reasonably apparent that such disclosure applies to any such other Section.

10.1 Organization and Qualification of Limco. Limco is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware and has the requisite corporate power and authority to own or lease and to operate its properties and to carry on its business as now being conducted. The copies of the Certificate of Incorporation, as amended to date, certified by the Delaware Secretary of state, and of the Bylaws of Limco, certified by the Secretary of Limco to be delivered to Calavo at the Initial Closing, will be complete and correct as of the Initial Closing Date.

10.2 Capitalization of Limco and Subsidiaries. The authorized capital stock of Limco consists of 3,000,000 shares of Common Stock, par value $.01 per share of which 975,171 shares are issued and outstanding, and 100,000 shares of Preferred Stock, par value $100.00 per share, of which no shares of Series A and 30,000 shares of Series B are issued and outstanding. There are no treasury shares. Except as set forth in Schedule 10.2 hereto, there are no outstanding options, warrants, scripts, rights to subscribe to or commitments or agreements of any character whatsoever relating to or securities or rights convertible into or exchangeable for, shares of capital stock or other securities or interest in profits of Limco or any Limco Subsidiary, and there are no contracts, commitments, understandings, arrangements or restrictions by which Limco or any Limco Subsidiary is now or in the future would be bound to issue any additional shares of capital stock, other securities or interests in profits. All issued and outstanding shares of capital stock of Limco and each Limco corporate Subsidiary are duly authorized, validly issued, fully paid and nonassessable. All voting rights in Limco and each Limco Subsidiary are vested exclusively in common stock. On the Initial Closing Date, the Limco Shares will be newly issued and free of all liens and encumbrances. On the Initial Closing Date, the stock ownership of Limco's Subsidiaries will be as set forth in Schedule 10.3 hereto and will be free of all liens and encumbrances. None of the Limco Common Stock or Preferred Stock is entitled to any preemptive right; and Limco's Certificate of Incorporation and Bylaws do not provide Limco with a right of first refusal to purchase any Limco Common Stock or restrict the sale or other transfer of any Limco Common Stock.

10.3 Subsidiaries. Schedule 10.3 hereto lists each corporation, limited liability company and other entity, which Limco controls directly or indirectly or in which Limco has an ownership interest, direct or indirect, of record or beneficially, whether in capital stock or other equity security, each of which is referred to in this Agreement as a Subsidiary. Except as set forth in Schedule 10.3. Limco does not own, directly or indirectly, any capital stock or other equity securities of any corporation or have any direct or indirect equity or ownership interest in any business entity including, without limitation, business vehicles in the nature of joint ventures and partnerships. Each Limco Subsidiary is duly organized, validly existing and in good standing under the laws of its respective jurisdiction of organization, and has the power and authority to own its properties and to carry on its business as now conducted. Each Limco Subsidiary is duly licensed, authorized or qualified to transact business in, and is in good standing in each jurisdiction in which the properties owned or leased or the activities conducted by it makes such licensing, authorization or qualification necessary, except where the failure to be so licensed, authorized qualified or the failure to be in such good standing would not have a material adverse effect on the business, financial condition or operations of Limco and its Subsidiaries taken as a whole. Schedule 10.3 hereto lists, for each Limco Subsidiary, its form of organization, if it is a corporation, the number of shares of capital stock or other equity securities authorized, issued and outstanding, and the holders of record and beneficially of all issued capital stock or other equity securities.

10.4 Power and Authority. Limco has the requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Limco and the consummation by Limco of the transactions contemplated hereby have been duly authorized by the Board of Directors of Limco and no other corporate proceedings on the part of Limco are necessary to authorize this Agreement and the transactions contemplated hereby. This Agreement has been duly executed and delivered by Limco and, assuming this Agreement constitutes a valid and binding obligation of Calavo, constitutes a valid and binding obligation of Limco, enforceable against Limco in accordance with its terms, except to the extent that enforceability may be limited by applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting the enforcement of creditors' rights in general and except to the extent that the availability of equitable

remedies, including specific performance, is subject to the discretion of the court before which any proceeding therefor may be brought.

10.5 Investment. Limco understands that the Calavo Shares have not been, and will not be, registered under the Securities Act or under any state securities law, and are being offered and sold in reliance upon federal and state exemptions for a transaction not involving any public offering. Limco (1) is acquiring the Calavo Shares solely for its own account for investment purposes, and not with a view to the distribution thereof, (2) is a sophisticated investor with knowledge and experience in business and financial matters, (3) has received certain information concerning Calavo and has had the opportunity to obtain additional information as desired in order to evaluate the merits and the risks inherent in holding the Calavo Shares, (4) is able to bear the economic risk and lack of liquidity inherent in holding the Calavo Shares, and (5) is an Accredited Investor. Limco's representations and warranties in this Section 10.5 shall not be construed as prohibiting it from selling or otherwise transferring the Calavo Shares at any time subsequent to the first anniversary of the Initial Closing in compliance with applicable federal and state securities laws and regulation and in compliance with the right of first refusal contained in Section 16.2

10.6 No Violation or Conflict. Neither the execution and delivery of this Agreement by Limco nor the consummation of the transactions contemplated hereby nor compliance by Limco with any of the provisions hereof will violate, conflict with, or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien upon any of the properties or assets of Limco or any Limco Subsidiary under any of the terms, conditions or provisions of (i) the Certificate or Articles of Incorporation or the Bylaws of Limco or any Limco

Subsidiary, or (ii) any note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which Limco or any Limco Subsidiary is a party or to which they or any of their respective properties or assets may be subject, or (iii) statute, regulation, judgment, ruling, order, writ, injunction, decree, rule or regulation applicable to Limco or any Limco Subsidiary or any of their respective properties or assets, except for such violations, conflicts, breaches, defaults, terminations, accelerations or creations of liens which, individually or in the aggregate, would not have any material adverse effect on the business, operations or financial conditions of Limco and the Limco Subsidiaries taken as a whole.

10.7 Financial Statements. Except as set forth in Schedule 10.7, the consolidated audited financial statements of Limco and the Limco Subsidiaries for the fiscal year ended October 31, 2004, consisting of the consolidated balance sheet as of such date and the related statements of operations, changes in stockholders' equity and cash flows for the year then ended (the "Financial Statements"), which Financial Statements and the opinion of Deloitte and Touche thereon dated February 8, 2005, have been furnished to Calavo, present fairly in all material respects, the financial position of Limco as of such date and the results of operations and cash flows for the year then ended, in accordance with GAAP, applied on a consistent basis throughout such period. Except as set forth in Schedule 10.7, the Financial Statements, and all accompanying exhibits and schedules were true complete and correct in all respects as of the dates thereof, were prepared in accordance with GAAP, applied on a consistent basis throughout such period, except as otherwise stated therein, and presented fairly the financial position as at the date of, and the results of operations for the periods covered by, such statements of Limco and the Limco Subsidiaries. The unaudited consolidated and consolidating balance sheets and statements of income changes in stockholders equity and cash flow (the "Most Recent Financial Statements") of Limco as of and for the months ending April 30, 2005 ("Most Recent Fiscal Month") have not been prepared in accordance with GAAP, but nevertheless present fairly, in all material respects, the financial condition of Limco as of such date and the result of operations of Limco for such periods and are consistent with the books and records of Limco. Limco's management has disclosed, based on its most recent evaluation to Limco's auditors and the audit committee of Limco's Board of Directors, (i) all significant deficiencies in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Limco's ability to record, process, summarize and report financial information and (ii) any fraud, whether or not material, that involved management or other employees who have a significant role in Limco's internal control over financial reporting.

10.8 Absence of Certain Changes or Events. Except as and to the extent contemplated by this Agreement, since the date of the Most Recent Financial Statements, Limco has conducted its business only in the ordinary course, and there has not been, with respect to Limco, (a) any material adverse change in or to such business, (b) any material damages, destruction or loss (whether covered by insurance or not), (c) any material change by Limco in accounting

methods, principles or practices; or (d) any commitment, agreement or understanding respecting any employee of Limco which has or would have the effect of increasing such employee's compensation or benefits other than in accordance with past Limco policies.

10.9 Title to Assets. Limco owns and has title to its properties and assets as reflected in the Financial Statements, subject to no material liens, mortgages, pledges, encumbrances or charges of any kind, except as disclosed in the Financial Statements or as disclosed in Schedule 10.9, and except for non-delinquent liens for current taxes and assessments. All leases by which Limco or its Subsidiaries lease real or personal property are in good standing and are valid and effective in accordance with their respective terms, and there exists no material default or other occurrence or condition which would result in a material default or termination of any of those leases.

10.10 Material Contracts. Set forth in Schedule 10.10 is a true and correct list of (i) all plans, contracts or understandings providing for bonuses, pensions, options, deferred compensation, retirement payments, royalty payments, profit sharing or similar understandings with respect to any present or former officer, director or consultant, (ii) any contract or agreement with any labor union, (iii) any contract for the future purchase, acquisition or sale of products or rights to products or performance of services over a period of more than three months from the date hereof not made in the ordinary course of business, (iv) all leases of real property, including all amendments and modifications, (v) any contract containing covenants limiting the freedom of Limco or any of the Limco Subsidiaries to compete in any line of business or with any person; and (vi) every other contract to which Limco or any of its Subsidiaries is a party which could reasonably be expected to result in annual payments by or to Limco or any of its Subsidiaries in excess of Two Hundred Thousand Dollars ($200,000) or cumulative payments by or to or any of the Limco Subsidiaries in excess of Two Hundred Thousand Dollars ($200,000), except for contracts entered into in the ordinary course of business which are terminable upon less than thirty (30) days' notice by either party thereto without penalty or liability (collectively, "Material Contracts"). Limco heretofore has delivered or made available to Calavo true and correct copies of all Material Contracts. Neither Limco nor any of its Subsidiaries is in default or breach, and no event has occurred or shall occur by reason of the transactions contemplated herein which would constitute a default or breach, where such default or breach would entitle another party thereto to accelerate or terminate such Material Contract or otherwise impose a material penalty or forfeiture thereunder (whether with or without notice, lapse of time or the happening or occurrence of any other event), under any Material Contract. All Material Contracts are valid and binding agreements, and to the knowledge of Limco, there are no facts or circumstances which make a default under any Material Contract by any party thereto likely to occur subsequent to the date hereof.

10.11 Compliance with Applicable Laws. Except as set forth in Schedule 10.11, and except for possible violations which individually or in the aggregate do not, and insofar as reasonably can be foreseen, in the future will not, have a material adverse effect on Limco, Limco and the Limco Subsidiaries are in compliance with all requirements of law, federal, state or local, and of all governmental bodies or agencies having jurisdiction over it or the conduct of its business. Limco is not presently charged with, nor to its knowledge, is Limco under any investigation or the subject of any threatened proceeding with respect to any violation of any statute, law, ordinance, rule or regulation relating to Limco.

10.12 Litigation and Liabilities. Except as disclosed in Schedule 10.12, there are no actions, suits, investigations or proceedings pending or, to the knowledge of Limco threatened against Limco or any Limco Subsidiary; nor, to the knowledge of Limco, are there any facts or circumstances that could reasonably be expected to result in a claim for damages that, if adversely determined, would be reasonably likely to result in any claims against or obligations or liabilities of Limco or any of the Limco Subsidiaries that, alone or in the aggregate, would have any material adverse effect on Limco.

10.13 Brokers, Finders, Investment Bankers and Financial Advisors. No broker, finder, investment banker or financial advisor is entitled to any brokerage, finder's or other fee or commission from Limco in connection with the transactions contemplated by this Agreement based upon arrangement made by or on behalf of Limco.

10.14 Labor Relations. To Limco's knowledge, it has not engaged in any unfair labor practice, and has not illegally discriminated on the bases of age or sex in its employment conditions or practices. Except as set forth in Schedule 10.14, there are no unfair labor practice grievances or age or sex discrimination complaints pending, or, to Limco's knowledge, threatened against Limco before any governmental entity and, to the knowledge of Limco, no basis therefore.

10.15 Environmental Matters.

(a) There is no civil, criminal or administrative action, suit, claim, notice of violation or proceeding pending or, to Limco's knowledge, threatened against Limco respecting the storage, use, release or burial of a hazardous substance (for the purposes of this Agreement, as defined under any applicable federal, state or local statute, rule, regulation or other law and whether solid, liquid or gaseous) on, from or under premises occupied by Limco.

(b) To Limco's knowledge, it has no liability (absolute, accrued, contingent or otherwise), including, without limitation, clean-up obligations or liabilities to third parties for personal injuries or other torts, for any contamination of air, soil or water with hazardous substances.

(c) Limco is, to its knowledge, operating its business in material compliance with all Environmental Health and Safety Requirements.

10.16 Intellectual Property. Schedule 10.16 hereto contains an accurate and complete list of all intellectual property (the "Intellectual Property") owned by or licensed to Limco, together with registration data where applicable and descriptive identification as appropriate. Limco owns or has the right to use all of the Intellectual Property used in or necessary for the conduct of its business as now conducted, without any known material infringement upon, or conflict with the rights of, or claim of ownership or other rights by, any other person. Limco has received no written notice of any claimed infringement or conflict with respect to any of the foregoing.

10.17 Permits. Limco and each Limco Subsidiary hold licenses, certificates, permits, franchises and rights from all appropriate persons, governmental entities and public authorities necessary for the conduct of their respective businesses as now conducted, except where the failure to obtain the same would not have a material adverse effect on the business operations or financial condition of Limco. Neither the execution or delivery of this Agreement nor the consummation of the transactions contemplated herein will result in the termination of any license, certificate, permit, franchise or right held by Limco or any Limco Subsidiary.

10.18 Liabilities and Disclosure. Limco has no material liabilities of any nature, whether accrued, absolute, contingent or otherwise (including, without limitation, liabilities as guarantor or otherwise with respect to obligations of others), except as stated or adequately reserved against in the Financial Statements, disclosed in the Schedules hereto, or incurred in the ordinary course of business after April 30, 2005. There is, to Limco's knowledge, no fact which, in its reasonable judgment and belief, does or might materially and adversely affect the business, prospects, condition, affairs or operations of Limco or any Limco Subsidiary or any of their properties or assets which has not been set forth in this Agreement or the Schedules.

10.19 Changes. Except as set forth on Schedule 10.19, since the Most Recent Financial Statements, there has not been any material adverse change in the business, financial conditions, results of operations or prospects of Limco or any Limco Subsidiary, except such changes which could not, individually or in the aggregate, have a material adverse effect on the business, financial condition or results of operations of Limco or and Limco Subsidiaries.

10.20 Tax Returns and Payments. Except as set forth in Schedule 10.20, Limco and its Subsidiaries have timely filed all federal, state, and local tax returns which were required to be filed by or with respect to Limco or any of the Limco Subsidiaries, and have paid or, where payment is not yet required, have established adequate tax reserves for the payment of all Taxes with respect to the periods covered by such returns. Nether Limco nor any of the Limco Subsidiaries have consented to any waiver or extension of any statute of limitations relating to the assessment or collection of any federal, state or local Tax. There are no deficiency assessments against Limco or any of the Limco Subsidiaries.

10.21 Insurance Policies. Schedule 10.21 sets forth the following information with respect to each insurance policy (including policies providing property, casualty, liability, and workers' compensation coverage and bond and surety arrangements) to which Limco has been a party, a named insured, or otherwise the beneficiary of coverage at any time from fiscal year 2003 to the date hereof:

(a) the name of the insurer, the name of the policyholder, and the name of each covered insured;

(b) the policy number and the period of coverage;

(c) the scope (including an indication of whether the coverage was on a claims made, occurrence, or other basis) and amount (including a description of how deductibles and ceilings are calculated and operate) of coverage; and

(d) a description of any retroactive premium adjustment or other loss-sharing arrangements. With respect to each such insurance policy: (1) the policy is legal, valid, binding, enforceable, and in full force and effect; (2) the policy will continue to be legal, valid, enforceable, and in full force and effect on identical terms following the consummation of the transactions contemplated hereby; (3) neither Limco nor any other party to the policy is in breach or default (including with respect to the payment of premiums or the giving of notices), and no

event has occurred which, with notice or the lapse of time, would constitute such a breach or default, or permit termination, modification, or acceleration, under the policy; and (4) no party to the policy has repudiated any provision thereof. Schedule 10.21 also describes any self-insurance arrangements affecting any of Limco's properties or operations.

10.22 Employee Benefit Plans.

(a) Schedule 10.22 contains a true and complete list of all of the following agreements, arrangements, practices, or plans, whether written or oral, which are presently in effect with respect to Limco and under which Limco continues to have liability or obligations thereunder: (i) "employee pension benefit plans" and "employee benefit plans" as defined respectively in Section 3(2) and 3(3) of ERISA, including "multiemployer" plans as defined in Section 3(37) of ERISA, or a "multiple employer" plan within the meaning of Section 4063 or 4064 of ERISA; and (ii) any other pension, profit sharing, supplemental unemployment, retirement, deferred compensation, stock purchase, stock option, incentive, bonus, vacation, severance, disability, hospitalization, medical insurance or other employee benefit plans, practice, policies, arrangements, or programs for the benefit of any employee, former employee, director, or agent of Limco or any Limco Subsidiary, whether or not any of the foregoing is funded, whether formal or informal, and whether or not subject to ERISA. (The plans or programs described in clauses (i) and (ii) are herein collectively referred to as the "Limco Plans.") Limco has delivered or made available to Calavo true and complete copies of all (a) Limco Plans, related trust arrangements and funding arrangements and any amendments thereto, (b) the most recent summary plan descriptions, together with the most recent summary material modifications required under ERISA with respect to each Limco Plan, (c) the most recent annual reports (series 5500 and schedules thereto) required under ERISA with respect to each Limco Plan, (d) the two most recent actuarial valuations, if applicable, prepared for any Limco Plan, (e) the most recent IRS determination letters with respect to each Limco Plan, and (f) all material employer communications relating to each such Limco Plan.

(b) Limco and its Subsidiaries are in material compliance with the requirements prescribed by any and all statutes, orders, governmental rules or regulations applicable to the Limco Plans, and all reports and disclosures relating to the Limco Plans required to be filed with or furnished to governmental agencies, participants or beneficiaries prior to the Initial Closing Date have been or will be filed or furnished in a timely manner and in accordance with applicable law.

(c) Except as described in Schedule 10.22, neither Limco nor any Limco Subsidiary has ever contributed or been required to contribute to any multiemployer plan as defined in Section 3(37) of ERISA.

(d) Neither Limco, any Limco Subsidiary nor any other "disqualified person" or "party in interest" (as defined in Section 4975 of the Code and Section 3 of ERISA), has engaged in any "prohibited transaction" as such term is defined in Section 4975 of the Code or Section 406 of ERISA, which could subject any of the Limco Plans (or their related trusts), Limco, any Limco Subsidiary or any officer, director, or employee of Limco or any Limco Subsidiary or any trustee, administrator or any other fiduciary of any of the Limco Plans to tax or penalty imposed under Section 4975 of the Code or Section 502 of ERISA.

(e) Except as set forth in Schedule 10.22, there are no material actions, audits, suits or claims pending (other than routine claims for benefits) or, to the best knowledge of Limco , threatened, against any of the Limco Plans or any fiduciary of any of the Limco Plans or against the assets of any of the Limco Plans.

(f) Except as set forth in Schedule 10.22, Limco and its Subsidiaries have no obligation or liability to any retired or former employee under any disability (long or short term), hospitalization, medical, dental or life insurance plans (whether insured or self-insured) or other employee welfare plan as defined in ERISA Section 3(1) maintained by Limco and its Subsidiaries, other than as required by COBRA.

(g) Each "group health plan" (within the meaning of Section 5000(b)(1) of the Code) maintained by Limco or any of its affiliates has, as of the first day of each group health plan's first plan year beginning on or after July 1, 1986, been administered in compliance with the continuation coverage requirements contained in and as provided under Section 4980B of the Code and any regulations promulgated or proposed thereunder.

(h) Except as set forth in Schedule 10.22, no payment which will be or may be made by Limco to any employee, former employee, director or agent thereof will or could be characterized as an "excess parachute payment: within the meaning of Section 280G(b)(1) of the Code and by reason of the transactions contemplated herein.

(i) Limco, to its knowledge, (i) is in compliance with all applicable federal and state laws, rules and regulations respecting employment, employment practices, terms and conditions of employment and wages and hours, in each case, with respect to employees and former employees of Limco, (ii) has withheld all amounts

required by law to be withheld from the wages, salaries and other payments to employees and former employees of Limco, and (iii) is not liable for any arrears of wages or any taxes or any penalty to comply with any of the foregoing, except for such noncompliance, failure to withhold or liability which would not individually or in the aggregate have a material adverse effect on Limco and its Subsidiaries taken as a whole.

(j) Except as set forth in Schedule 10.22, neither the execution of this Agreement nor the performance of the transactions contemplated herein will (either alone or upon the occurrence of an additional event) constitute an event under any Limco Plan that will or may result in any payment, acceleration, vesting or increase in benefits with respect to any employee, former employee, or director of Limco.

(k) Limco has made, and makes, no representations or warranties respecting the adequacy of estimates of or reserves (if any) for post-retirement medical benefits for employees.

10.23 Foreign Corrupt Practices Act. Neither Limco nor any Limco Subsidiary has made or offered or agreed to offer anything of value to any foreign government official, political party or candidate for governmental office nor have they taken any action which would cause Limco or any Limco Subsidiary to be in violation of Sections 103b or 104 of the Foreign Corrupt Practices Act of 1977, as amended.

10.24 Sarbanes-Oxley Compliance. Inasmuch as Limco is not a reporting company under the Securities Exchange Act, it is not obligated to comply with the Sarbanes-Oxley Act of 2002. Limco is not required by applicable laws and regulations to register its Common Stock under Section 12(g) of the Securities Exchange Act.

10.25 Transferability of the Limco Shares. Subject to compliance with the right of first refusal granted to Limco in Section 16.1: beginning on the first anniversary of the Initial Closing Date, Calavo shall have the same right and ability as other stockholders of Limco to sell the Limco Shares on the Pink Sheets (or on any stock exchange, Nasdaq market or OTC Bulleting Board on which Limco's Common Stock is then traded) in accordance with the terms and conditions of Rule 144 under the Securities Act; and beginning on the second anniversary of the Initial Closing Date, the Limco Shares will be freely transferable by Calavo in accordance with Rule 144(k) under the Securities Act.

ARTICLE 11

REPRESENTATIONS AND WARRANTIES OF CALAVO

Calavo makes the following representations and warranties to Limco, subject to and qualified by any fact or facts disclosed in the Schedules that are provided to Limco as required in this Agreement. Disclosure of an item in a Schedule corresponding to a particular Section in this Agreement shall, should the existence of the item or its contents be relevant to any other Section, be deemed to be disclosed in that other Section whether or not an explicit cross-reference appears as long as it is reasonably apparent that such disclosure applies to any such other Section.

11.1 Organization and Qualification of Calavo. Calavo is a corporation duly incorporated, validly existing and in good standing under the laws of the State of California and has the requisite corporate power and authority to own or lease and to operate its properties and to carry on its business as now being conducted. The copies of the Articles of Incorporation, as amended to date, certified by the California Secretary of State, and of the Bylaws of the Calavo,

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certified by the Secretary of the Calavo to be delivered to Limco at the Initial Closing, will be complete and correct as of the Initial Closing Date.

11.2 Capitalization of Calavo and Subsidiaries. The authorized capital stock of Calavo consists of One Hundred Million (100,000,000) shares of Common Stock, ($.001) par value per share, of which Thirteen Million Five Hundred Seven Thousand (13,507,000) shares are issued and outstanding, and there are no treasury shares. Except as set forth in Schedule 11.2 hereto, there are no outstanding options, warrants, scripts, rights to subscribe to or commitments or agreements of any character whatsoever relating to or securities or rights convertible into or exchangeable for, shares of capital stock or other securities or interest in profits of Calavo or any Calavo Subsidiary, and there are no contracts, commitments, understandings, arrangements or restrictions by which Calavo or any Calavo Subsidiary is now or in the future would be bound to issue any additional shares of capital stock, other securities or interests in profits. All issued and outstanding shares of capital stock of Calavo and each corporate Calavo Subsidiary are duly authorized, validly issued, fully paid and nonassessable. All voting rights in Calavo and each Calavo Subsidiary are vested exclusively in common stock. On the Initial Closing Date, the Calavo Shares will be newly-issued, and free of all liens and encumbrances. On the Initial Closing Date, the stock ownership of Calavo's Subsidiaries will be as set forth in Schedule 11.3 hereto and will be free of all liens and encumbrances. None of the Calavo Common Stock is entitled to any preemptive right; and Calavo's Articles of Incorporation and Bylaws do not provide Calavo with a right of first refusal to purchase any Calavo Common Stock or restrict the sale or other transfer of any Calavo Common Stock.

11.3 Subsidiaries. Schedule 11.3 hereto lists each corporation, which Calavo controls directly or indirectly or in which Calavo has an ownership interest, direct or indirect, of record or beneficially, whether in capital stock or other equity security, each of which is referred to in this Agreement as a Subsidiary. Except as set forth in Schedule 11.3, Calavo does not own, directly or indirectly, any capital stock or other equity securities of any corporation or have any direct or indirect equity or ownership interest in any business entity including, without limitation, business vehicles in the nature of joint ventures and partnerships. Each Calavo Subsidiary is duly organized, validly existing and in good standing under the laws of its respective jurisdiction of organization, and has the power and authority to own its properties and to carry on its business as now conducted. Each Calavo Subsidiary is duly licensed, authorized or qualified to transact business in, and is in good standing in each jurisdiction in which the properties owned or leased or the activities conducted by it makes such licensing, authorization or qualification necessary, except where the failure to be so licensed, authorized qualified or the failure to be in such good standing would not have a material adverse effect on the business, financial condition or operations of Calavo and its Subsidiaries taken as a whole. Schedule 11.3 hereto lists, for each Calavo Subsidiary, its form of organization, if it is a corporation, the number of shares of capital stock or other equity securities authorized, issued and outstanding, and the holders of record and beneficially of all issued capital stock or other equity securities.

11.4 Power and Authority. Calavo has the requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Calavo and the consummation by Calavo of the transactions contemplated hereby have been duly authorized by the Board of Directors of Calavo and no other corporate proceedings on the part of Calavo are necessary to authorize this Agreement and the transactions contemplated hereby. This Agreement has been duly executed and delivered by Calavo and, assuming this Agreement constitutes a valid and binding obligation of Limco, constitutes a valid and binding obligation of Calavo, enforceable against Calavo in accordance with its terms, except to the extent that enforceability may be limited by applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting the enforcement of creditors' rights in general and except to the extent that the availability of equitable remedies, including specific performance, is subject to the discretion of the court before which any proceeding therefor may be brought.

11.5 Investment. Calavo understands that the Limco Shares have not been, and will not be, registered under the Securities Act or under any state securities law, and are being offered and sold in reliance upon federal and state exemptions for a transaction not involving any public offering. Calavo (1) is acquiring the Limco Shares solely for its own account for investment purposes, and not with a view to the distribution thereof, (2) is a sophisticated investor with knowledge and experience in business and financial matters, (3) has received certain information concerning Limco and has had the opportunity to obtain additional information as desired in order to evaluate the merits and the risks inherent in holding the Limco Shares, (4) is able to bear the economic risk and lack of liquidity inherent in holding the Limco Shares, and (5) is an Accredited Investor. Calavo's representations and warranties in

this Section 11.5 shall not be construed as prohibiting it from selling or otherwise transferring the Limco Shares at any time subsequent to the first anniversary of the Initial Closing in compliance with applicable federal and state securities laws and regulations and in compliance with the right of first refusal contained in Section 16.1.

11.6 No Violation or Conflict. Neither the execution and delivery of this Agreement by Calavo nor the consummation of the transactions contemplated hereby nor compliance by Calavo with any of the provisions hereof will violate, conflict with, or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien upon any of the properties or assets of Calavo or any Calavo Subsidiary under any of the terms, conditions or provisions of (i) the Articles of Incorporation or the Bylaws of Calavo or any Calavo Subsidiary, or (ii) any note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which Calavo or any Calavo Subsidiary is a party or to which they or any of their respective properties or assets may be subject, or (iii) statute, regulation, judgment, ruling, order, writ, injunction, decree, rule or regulation applicable to Calavo or any Calavo Subsidiary or any of their respective properties or assets, except for such violations, conflicts, breaches, defaults, terminations, accelerations or creations of liens which, individually or in the aggregate, would not have any material adverse effect on the business, operations or financial conditions of Calavo and the Calavo Subsidiaries taken as a whole.

11.7 Financial Statements and Reductions. Except as set forth in Schedule 11.7, the consolidated audited financial statements of Calavo and the Calavo Subsidiaries for the fiscal year ended October 31, 2004, consisting of the consolidated balance sheet as of such date and the related statements of income, shareholders' equity and cash flows for the year then ended (the "Financial Statements"), which Financial Statements and the opinion of Deloitte and Touche thereon dated January 12, 2005, have been furnished to Limco, present fairly, in all material respects, the consolidated financial position of Calavo and the Calavo Subsidiaries at October 31, 2004, and the results of their operations and cash flows for the year then ended, in accordance with GAAP, applied on a consistent basis throughout such period. Except as set forth in Schedule 11.7, the Financial Statements, and all accompanying exhibits and schedules were true, complete and correct in all material respects as of the dates thereof, were prepared in accordance with GAAP, applied on a consistent basis throughout such period, except as otherwise stated therein, and presented fairly the financial position as at the date of, and the results of operations for the periods covered by, such statements of the Calavo and the Calavo Subsidiaries. The Most Recent Financial Statements of Calavo as of and for the Most Recent Fiscal Month have not been prepared in accordance with GAAP, but nevertheless present fairly in all material respects, the financial condition of Calavo as of such date and the results of operations of Calavo for such periods and are consistent with the books and records of Calavo. Calavo's management has disclosed, based on its most recent evaluation to Calavo's auditors and the audit committee of Calavo's Board of Directors, (i) all significant deficiencies in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Calavo's ability to record, process, summarize and report financial information and (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in Calavo's internal control over financial reporting.

11.8 Absence of Certain Changes or Events. Except as and to the extent contemplated by this Agreement, since the date of the Most Recent Financial Statements, Calavo has conducted its business only in the ordinary course, and there has not been, with respect to Calavo, (a) any material adverse change in or to such business, (b) any material damage, destruction or loss (whether covered by insurance or not), (c) any material change by Calavo in accounting methods, principles or practices; or (d) any commitment, agreement or understanding respecting any employee of Calavo which has or would have the effect of increasing such employee's compensation or benefits other than in accordance with past Calavo policies.

11.9 Title to Assets. Calavo owns and has title to its properties and assets as reflected in the Financial Statements, subject to no material liens, mortgages, pledges, encumbrances or charges of any kind, except as disclosed in the Financial Statements or as disclosed in Schedule 11.9, and except for non-delinquent liens for current taxes and assessments. All leases by which Calavo or its Subsidiaries lease real or personal property are in good standing and are valid and effective in accordance with their respective terms, and there exists no material default or other occurrence or condition which would result in a material default or termination of any of those leases.

11.10 Material Contracts. Set forth in Schedule 11.10 is a true and correct list, with respect to Calavo and the Calavo Subsidiaries, of (i) all plans, contracts or understandings providing for bonuses, pensions, options, deferred compensation, retirement payments, royalty payments, profit sharing or similar understandings with respect to any present or former officer, director or consultant, (ii) any contract or agreement with any labor union, (iii) any contract for the future purchase, acquisition or sale of products or rights to products or performance of services over a period of more than three months from the date hereof not made in the ordinary course of business, (iv) all leases of real property, including all amendments and modifications, (v) any contract containing covenants limiting the freedom of Calavo or any of the Calavo Subsidiaries to compete in any line of business or with any person; and (vi) every other contract to which Calavo or any of its Subsidiaries is a party which could reasonably be expected to result in annual payments by or to Calavo or any of its Subsidiaries in excess of Two Hundred Thousand Dollars ($200,000) or cumulative payments by or to Calavo or any of its Subsidiaries in excess of Two Hundred Thousand Dollars ($200,000), except for contracts entered into in the ordinary course of business which are terminable upon less than thirty (30) days' notice by either party thereto without penalty or liability (collectively, "Material Contracts"). Calavo heretofore has delivered or made available to Limco true and correct copies of all Material Contracts. Neither Calavo nor any of its Subsidiaries is in default or breach, and no event has occurred or shall occur by reason of the transactions contemplated herein which would constitute a default or breach, where such default or breach would entitle another party thereto to accelerate or terminate such Material Contract or otherwise impose a material penalty or forfeiture thereunder (whether with or without notice, lapse of time or the happening or occurrence of any other event), under any Material Contract. All Material Contracts are valid and binding agreements, and to the knowledge of Calavo, there are no facts or circumstances which make a default under any Material Contract by any party thereto likely to occur subsequent to the date hereof.

11.11 Compliance with Applicable Laws. Except as set forth in Schedule 11.11, and except for possible violations which individually or in the aggregate do not, and insofar as reasonably can be foreseen, in the future will not, have a material adverse effect on Calavo, Calavo and its Subsidiaries are in compliance with all requirements of law, federal, state or local, and of all governmental bodies or agencies having jurisdiction over it or the conduct of its business. Except as set forth in Schedule 11.11, Calavo is not presently charged with, nor to its knowledge, is Calavo under any investigation or the subject of any threatened proceeding with respect to any violation of any statute, law, ordinance, rule or regulation relating to Calavo.

11.12 Litigation and Liabilities. Except as disclosed in Schedule 11.12, there are no actions, suits, investigations or proceedings pending or, to the knowledge of Calavo, threatened against Calavo or any Calavo Subsidiary; nor, to the knowledge of Calavo, are there any facts or circumstances that could reasonably be expected to result in a claim for damages that, if adversely determined, would be reasonably likely to result in any claims against or obligations or liabilities of Calavo or any of the Calavo Subsidiaries that, alone or in the aggregate, would have any material adverse effect on Calavo.

11.13 Brokers, Finders, Investment Bankers and Financial Advisors. No broker, finder, investment banker or financial advisor is entitled to any brokerage, finder's or other fee or commission from Calavo in connection with the transactions contemplated by this Agreement based upon arrangement made by or on behalf of Calavo.

11.14 Labor Relations. To Calavo's knowledge, it has not engaged in any unfair labor practice, and has not illegally discriminated on the basis of age or sex in its employment conditions or practices. Except as set forth in Schedule 11.14, there are no unfair labor practice grievances or age or sex discrimination complaints pending, or, to Calavo's knowledge, threatened against Calavo before any governmental entity and, to the knowledge of Calavo, there is no basis therefor.

11.15 Environmental Matters.

(a) There is no civil, criminal or administrative action, suit, claim, notice of violation or proceeding pending or, to Calavo's knowledge, threatened against Calavo respecting the storage, use, release or burial of a hazardous substance (for the purposes of this Agreement, as defined under any applicable federal, state or local statute, rule, regulation or other law and whether solid, liquid or gaseous) on, from or under premises occupied

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by Calavo; provided that the receding representation and warranty shall not be applicable to the real property in Santa Paula, California that Calavo leases from Limco.

(b) To Calavo's knowledge, it has no liability (absolute, accrued, contingent or otherwise), including, without limitation, clean-up obligations or liabilities to third parties for personal injuries or other torts, for any contamination of air, soil or water with hazardous substances.

(c) Calavo is, to its knowledge, operating its business in material compliance with all Environmental Health and Safety Requirements.

11.16 Intellectual Property. Schedule 11.16 hereto contains an accurate and complete list of all intellectual property (the "Intellectual Property") owned by or licensed to Calavo, together with registration data where applicable and descriptive identification as appropriate. Calavo owns or has the right to use all of the Intellectual Property used in or necessary for the conduct of its business as now conducted, without any known material infringement upon, or conflict with the rights of, or claim of ownership or other rights by, any other person. Calavo has received no written notice of any claimed infringement or conflict with respect to any of the foregoing.

11.17 Permits. Calavo and each Calavo Subsidiary hold licenses, certificates, permits, franchises and rights from all appropriate persons, governmental entities and public authorities necessary for the conduct of their respective businesses as now conducted, except where the failure to obtain the same would

not have a material adverse effect on the business operations or financial condition of Calavo. Neither the execution or delivery of this Agreement nor the consummation of the transactions contemplated herein will result in the termination of any license, certificate, permit, franchise or right held by Calavo or any Calavo Subsidiary.

11.18 Liabilities and Disclosure. Calavo has no material liabilities of any nature, whether accrued, absolute, contingent or otherwise (including, without limitation, liabilities as guarantor or otherwise with respect to obligations of others), except as stated or adequately reserved against in the Financial Statements, disclosed in the Schedules hereto or incurred in the ordinary course of business after April 30, 2005. There is, to the Calavo's knowledge, no fact which, in its reasonable judgment and belief, does or might materially and adversely affect the business, prospects, condition, affairs or operations of Calavo or any Calavo Subsidiary or any of their properties or assets which has not been set forth in this Agreement or the Schedules.

11.19 Changes. Except as set forth on Schedule 11.19, since the Most Recent Financial Statements, there has not been any material adverse change in the business, financial condition, results of operations or prospects of Calavo or any Calavo Subsidiary, except such changes which could not, individually or in the aggregate, have a material adverse effect on the business, financial condition or results of operations of Calavo or any Calavo Subsidiary.

11.20 Tax Returns and Payments. Except as set forth in Schedule 11.20, Calavo and its Subsidiaries have timely filed all federal, state, and local tax returns which were required to be filed by or with respect to Calavo or any of the Calavo Subsidiaries, and have paid or, where payment is not yet required, have established adequate tax reserves for the payment of all Taxes with respect to the periods covered by such returns. Neither Calavo nor any of the Calavo Subsidiaries have consented to any waiver or extension of any statute of limitations relating to the assessment or collection of any federal, state or local Tax. There are no deficiency assessments against Calavo or any of the Calavo Subsidiaries.

11.21 Insurance Policies. Schedule 11.21 sets forth the following information with respect to each insurance policy (including policies providing property, casualty, liability, and workers' compensation coverage and bond and surety arrangements) to which Calavo has been a party, a named insured, or otherwise the beneficiary of coverage at any time from fiscal year 2003 to the date hereof:

(a) the name of the insurer, the name of the policyholder, and the name of each covered insured;

(b) the policy number and the period of coverage;

(c) the scope (including an indication of whether the coverage was on a claims made, occurrence, or other basis) and amount (including a description of how deductibles and ceilings are calculated and operate) of coverage; and

(d) a description of any retroactive premium adjustment or other loss-sharing arrangements. With respect to each such insurance policy that has not terminated: (1) the policy is legal, valid, binding, enforceable, and in full force

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and effect; (2) the policy will continue to be legal, valid, enforceable, and in full force and effect on identical terms following the consummation of the transactions contemplated hereby; (3) neither Calavo nor any other party to the policy is in breach or default (including with respect to the payment of premiums or the giving of notices), and no event has occurred which, with notice or the lapse of time, would constitute such a breach or default, or permit termination, modification, or acceleration, under the policy; and (4) no party to the policy has repudiated any provision thereof. Schedule 11.21 also describes any self-insurance arrangements affecting any of Calavo's properties or operations.

11.22 Employee Benefit Plans.

(a) Schedule 11.22 contains a true and complete list of all of the following agreements, arrangements, practices, or plans, whether written or oral, which are presently in effect with respect to Calavo and under which Calavo continues to have liability or obligations thereunder: (i) "employee pension benefit plans" and "employee benefit plans" as defined respectively in Section 3(2) and 3(3) of ERISA, including "multiemployer" plans as defined in Section 3(37) of ERISA, or a "multiple employer" plan within the meaning of Section 4063 or 4064 of ERISA; and (ii) any other pension, profit sharing, supplemental unemployment, retirement, deferred compensation, stock purchase, stock option, incentive, bonus, vacation, severance, disability, hospitalization, medical insurance or other employee benefit plans, practice, policies, arrangements, or programs for the benefit of any employee, former employee, director, or agent of Calavo or any Calavo Subsidiary, whether or not any of the foregoing is funded, whether formal or informal, and whether or not subject to ERISA. (The plans or programs described in clauses (i) and (ii) are herein collectively referred to as the "Calavo Plans.") Calavo has delivered or made available to Limco true and complete copies of all (a) Calavo Plans, related trust arrangements and funding arrangement and any amendments thereto, (b) the most recent summary plan descriptions, together with the most recent summary material modifications required under ERISA with respect to each Calavo Plan, (c) the most recent annual reports (series 5500 and schedules thereto) required under ERISA with respect to each Calavo Plan, (d) the two most recent actuarial valuations, if applicable, prepared for any Calavo Plan, (e) the most recent IRS determination letters with respect to each Calavo Plan, and (f) all material employer communications relating to each such Calavo Plan.

(b) Calavo and its Subsidiaries are in material compliance with the requirements prescribed by any and all statutes, orders, governmental rules or regulations applicable to the Calavo Plans, and all reports and disclosures relating to the Calavo Plans required to be filed with or furnished to governmental agencies,

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participants or beneficiaries prior to the Initial Closing Date have been or will be filed or furnished in a timely manner and in accordance with applicable law.

(c) Except as described in Schedule 11.22, neither Calavo nor any Calavo Subsidiary has ever contributed or been required to contribute to any multiemployer plan as defined in Section 3(37) of ERISA.

(d) Neither Calavo, any Calavo Subsidiary nor any other "disqualified person" or "party in interest" (as defined in Section 4975 of the Code and Section 3 of ERISA), has engaged in any "prohibited transaction" as such term is defined in Section 4975 of the Code or Section 406 of ERISA, which could subject any of the Calavo Plans (or their related trusts), Calavo, any Calavo Subsidiary or any trustee, administrator or any other fiduciary of any of the Calavo Plans to tax or penalty imposed under Section 4975 of the Code or Section 502 of ERISA.

(e) Except as set forth in Schedule 11.22, there are no material actions, audits, suits or claims pending (other than routine claims for benefits) or, to the knowledge of Calavo , threatened, against any of the Calavo Plans or any fiduciary of any of the Calavo Plans or against the assets of any of the Calavo Plans.

(f) Except as set forth in Schedule 11.22, Calavo and its Subsidiaries have no obligation or liability to any retired or former employee under any disability (long or short term), hospitalization, medical, dental or life insurance plans (whether insured or self-insured) or other employee welfare plan as defined in ERISA Section 3(1) maintained by the Calavo Group, other than as required by COBRA.

(g) Each "group health plan" (within the meaning of Section 5000(b)(1) of the Code) maintained by Calavo or any of its affiliates has, as of the first day of each group health plan's first plan year beginning on or after July 1, 1986, been administered in compliance with the continuation coverage requirements contained in and as provided under Section 4980B of the Code and any regulations promulgated or proposed thereunder.

(h) Except as set forth in Schedule 11.22, no payment which will be or may be made by Calavo to any employee, former employee, director or agent thereof will or could be characterized as an "excess parachute payment: within the meaning of Section 280G(b)(1) of the Code and by reason of the transactions contemplated herein.

(i) Calavo, to its knowledge, (i) is in compliance with all applicable federal and state laws, rules and regulations respecting employment, employment practices, terms and conditions of employment and wages and hours, in each case, with respect to employees and former employees of Calavo, (ii) has withheld all amounts required by law to be withheld from the wages, salaries and other payments to employees and former employees of Calavo, and (iii) is not liable for any arrears of wages or any taxes or any penalty to comply with any of the foregoing, except for such noncompliance, failure to withhold or liability which would not individually or in the aggregate have a material adverse effect on Calavo and its Subsidiaries taken as a whole.

(j) Except as set forth in Schedule 11.22, neither the execution of this Agreement nor the performance of the transactions contemplated herein will (either alone or upon the occurrence of an additional event) constitute an event under any Calavo Plan that will or may result in any payment, acceleration, vesting or increase in benefits with respect to any employee, former employee, or director of Calavo.

(k) Calavo has made, and makes, no representations or warranties respecting the adequacy of estimates of or reserves (if any) for post-retirement medical benefits for employees.

11.23 Exchange Act Reports. As of their respective dates, all reports filed by Calavo with the Securities and Exchange Commission, after October 31, 2003 under the Securities Exchange Act conformed in all material respects with the requirements of the Securities Exchange Act, the Sarbanes-Oxley Act and the rules and regulations of the Commission thereunder.

11.24 Foreign Corrupt Practices Act. Neither Calavo nor any Calavo Subsidiary has made or offered or agreed to offer anything of value to any foreign government official, political party or candidate for governmental office, nor have they taken any action which would cause Calavo or any Calavo Subsidiary to be in violation of Sections 103b or 104 of the Foreign Corrupt Practices Act of 1977, as amended.

ARTICLE 12

COVENANTS OF LIMCO

12.1 Conduct of Business Prior to Initial Closing. Except as set forth in Schedule 12.1, between the date of this Agreement and the Initial Closing Date, Limco and each Limco Subsidiary will do the following, unless Calavo shall otherwise consent in writing:

(a) Conduct Limco's business only in the ordinary and usual course and refrain from changing or introducing any method of management or operations except in the ordinary course of business and consistent with prior practices;

(b) Except for the possible sale of the Mission Shares to Mission and the repurchase of 6,906 shares of Limco common stock from Mission as described in Article 4 above, refrain from making any purchase, sale or disposition of any asset or property other than in the ordinary course of business, from purchasing

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any capital asset costing more than Five Hundred Thousand Dollar ($500,000) and from mortgaging, pledging, subjecting to a lien or otherwise encumbering any of Limco's properties or assets;

(c) Refrain from amending, modifying, extending or terminating any real property or equipment lease, except as otherwise provided in this Agreement;

(d) Refrain from incurring any contingent liability as a guarantor or otherwise with respect to the obligations of others, and from incurring any other contingent or fixed obligation or liabilities except those that are usual and normal in the ordinary course of business;

(e) Except in accordance with past practice refrain from declaring, setting aside or paying any dividend, making any other distribution in respect of its capital stock or making any direct or indirect redemption, purchase or other acquisition of its stock;

(f) Refrain from taking any action which would accelerate payment or other obligations of Limco to its employees, and from making any change in the compensation payable or to become payable to any of its officers, directors, employees or agents, except as contemplated by this Agreement;

(g) Refrain from paying any loans from its officers or directors or making any other payments to any of them, except normal salary payments in amount not exceeding those theretofore paid;

(h) Use reasonable efforts to prevent any change with respect to its management and supervisory personnel and banking arrangements except as contemplated by this Agreement;

(i) Not amend, change or terminate any Material Contract;

(j) Not change the Certificate of Incorporation or Bylaws of Limco or any Limco Subsidiary; and

(k) Not issue any capital stock at less than the fair market value of such stock on the date of its issuance, except pursuant to a stock option or warrant that is outstanding as of the date of this Agreement or except for an option that is subsequently granted pursuant to an employee stock plan with an exercise price of at least the fair market value of such capital stock as of the grant date; and

(l) Not take any action which would cause the acceleration of any payments or other obligations of Limco under any of such contracts without the prior consent of Calavo.

12.2 Access. Limco shall afford to Calavo and to the authorized officers, employees and agents of Calavo, complete access at all reasonable times, from the date hereof to the Initial Closing Date, to their officers, employees, agents, properties, books, records and contracts, and shall furnish Calavo all financial, operating and other data and information as Calavo, through its officers, employees or agents, may reasonably request, provided such requests for access and information do not unreasonably interfere with the operations of Limco or any of the Limco Subsidiaries.

12.3 Reasonable Efforts Regarding Mission Shares. After providing notice to Calavo pursuant to Section 9.4 hereof designating the Misison Closing Date, Limco shall deliver to Mission a letter signed by Limco setting forth the purchase price and all relevant terms for the purchase of the Mission Shares by Calavo, and notifying Mission that the option periods with respect to the rights of first refusal for the Mission Share have commenced. Calavo and Limco shall agree upon the date that such letter shall be delivered to Mission, but such date shall not be so late as to cause the Mission Closing Date to be more than 180 days following the Initial Closing Date.
12.4 Reasonable Efforts. Limco shall use its reasonable efforts to cause all of the representations and warranties set forth in Article 9 to be true and correct on and as of the Initial Closing Date; to perform all of the covenants set forth in this Article 11; and to cause all of the conditions set forth in Article 15 to occur on or before the Closing Date.

ARTICLE 13

COVENANTS OF CALAVO

13.1 Conduct of Business Prior to Initial Closing. Except as set forth in Schedule 13.1, between the date of this Agreement and the Closing Date, Calavo and each Calavo Subsidiary will do the following, unless Limco shall otherwise consent in writing:

(a) Conduct Calavo's business only in the ordinary and usual course and refrain from changing or introducing any method of management or operations except in the ordinary course of business and consistent with prior practices;

(b) Refrain from making any purchase, sale or disposition of any asset or property other than in the ordinary course of business, from purchasing any capital asset costing more than Five Hundred Thousand Dollars ($500,000) and from mortgaging, pledging, subjecting to a lien or otherwise encumbering any of Calavo's properties or assets; provided, however, that no provision of this Agreement shall be construed as requiring Limco's consent to a merger between Calavo and Mission or other transaction between Calavo and Mission or as prohibiting Calavo from engaging in such merger or other transaction;

(c) Refrain from amending, modifying, extending or terminating any real property or equipment lease, except as otherwise provided in this Agreement;

(d) Refrain from incurring any contingent liability as a guarantor or otherwise with respect to the obligations of others, and from incurring any other contingent or fixed obligation or liabilities except those that are usual and normal in the ordinary course of business and except for indebtedness incurred for

the purpose of purchasing the Limco Shares and the Mission Shares;

(e) Except in accordance with past practice, refrain from declaring, setting and or paying any dividend, making any other distribution in respect of its capital stock or making any direct or indirect redemption, purchase or other acquisition of its stock;

(f) Refrain from taking any action which would accelerate payment or other obligations of Calavo to its employees, and from making any change in the compensation payable or to become payable to any of its officers, directors, employees or agents, except as contemplated by this Agreement;

(g) Refrain from paying any loans from its officers or directors or making any other payments to any of them, except normal salary payments in amount not exceeding those theretofore paid;

(h) Use reasonable efforts to prevent any change with respect to its management and supervisory personnel and banking arrangements except as contemplated by this Agreement;

(i) Not amend, change or terminate any Material Contract;

(j) Not change the Articles of Incorporation or Bylaws of Calavo or any Calavo Subsidiary;

(k) Not issue any capital stock as less than the fair market value of such stock on the date of its issuance, except pursuant to a stock option or warrant that is outstanding as of the date of this Agreement or except for an option that is subsequently granted pursuant to an employee stock plan with an exercise price of at least the fair market value of such capital stock as of the grant date; and

(l) Not take any action which would cause the acceleration of any payments or other obligations of Calavo under any of such contracts without the prior consent of Limco.

13.2 Access. Calavo shall afford to Limco and to the authorized officers, employees and agents of Limco, complete access at all reasonable times, from the date hereof to the Initial Closing Date, to their officers, employees, agents, properties, books, records and contracts, and shall furnish Limco all financial, operating and other data and information as Limco, through its officers, employees or agents, may reasonably request, provided such requests for access and information do not unreasonably interfere with the operations of Calavo or any of the Subsidiaries.

13.3 Reasonable Efforts. Calavo shall use its reasonable efforts to cause all of the representations and warranties set forth in Article 11 to be true and correct on and as of the Initial Closing Date; to perform all of the covenants set forth in this Article 13; and to cause all of the conditions set forth in Article 14 to occur on or before the Initial Closing Date.

ARTICLE 14

CONDITIONS PRECEDENT TO LIMCO'S OBLIGATION TO CLOSE

14.1 General. The obligation of Limco to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction, on or before the Initial Closing Date, of each and every one of the following conditions all or any of which may be waived, in whole or in part, by Limco for the purpose of consummating such transaction, but without prejudice to any other right or remedy which Limco may have hereunder as a result of any

misrepresentation by, or breach of any covenant or warranty of, Calavo contained in this Agreement or any certificate, Schedule, document or instrument furnished by Calavo hereunder.

14.2 Representations and Warranties. The representations and warranties made by Calavo in this Agreement and in any certificate, schedule, document or instrument furnished to Limco at or prior to the Initial Closing shall be true and correct in all respects on the Initial Closing Date with the same force and effect as though such representations and warranties had been made on and as of such date, (i) except for changes contemplated by this Agreement, (ii) except that any representation or warranty that, by its express terms, speaks only as of a specified earlier date need only be accurate as of such earlier date, and (iii) except where the failure of such representations and warranties to be accurate, individually or in the aggregate, has not had a Material Adverse Change or Condition with respect to Calavo and would not be reasonably expected to have a Material Adverse Change or Conditions with respect to Calavo..

14.3 Investigations Fail to Disclose Material Adverse Change or Condition. Investigations by Limco and its representatives shall not have disclosed any Material Adverse Change or Condition with respect to Calavo.

14.4 Covenants and Agreements. Calavo shall have duly performed in all material respects all of the material covenants and agreements to be performed by it hereunder on or prior to the Initial Closing Date.

14.5 No Adverse Changes. Since the date of this Agreement, Calavo shall not have suffered any Material Adverse Change or Condition including any delisting of Calavo's common stock on the NASDAQ Securities Market.

14.6 No Proceedings. No preliminary or permanent injunction or other order, decree or ruling issued by a court of competent jurisdiction or by a governmental, regulatory or administrative agency or commission, nor any statute, rule, regulation or executive order promulgated or enacted by and governmental authority, shall be in effect which would prevent or hinder the consummation of the transactions contemplated under this Agreement or which challenges the validity or enforceability of this Agreement or any term or provision hereof.

14.7 Certificates. Limco shall have received a Certificate of Calavo, dated the Initial Closing Date, signed by its Chief Executive Officer, to the effect that, Sections 14.2, 14.4 and 14.5 have been fulfilled and such other certificates and documents as Limco may reasonably request and as provided in Article 9 hereof.

ARTICLE 15

CONDITIONS PRECEDENT TO CALAVO'S OBLIGATION TO CLOSE

15.1 General. The obligation of Calavo to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction, on or before the Initial Closing Date, of each and every one of the following conditions all or any of which may be waived, in whole or in part, by Calavo for the purpose of consummating such transaction, but without prejudice to any other right or remedy which Calavo may have hereunder as a result of any misrepresentation by, or breach of any covenant or warranty of, Limco contained in this Agreement or any certificate, Schedule, document or instrument furnished by Limco hereunder.

15.2 Investigations Fail to Disclose Material Adverse Change or Condition. Investigations by Calavo and its representatives shall not have disclosed any Material Adverse Change or Condition with respect to Limco.

15.3 Representations and Warranties. The representations and warranties made by Limco in this Agreement and in any certificate, schedule, document or instrument furnished to Calavo at or prior to the Initial Closing shall be true and correct in all respects on the Initial Closing Date with the same force and effect as though such representations and warranties had been made on and as of such date, (i) except for changes contemplated by this Agreement, (ii) except that any representation or warranty that, by its express terms, speaks only as of a specified earlier date need only be accurate as of such earlier date, and (iii) except where the failure of such representations and warranties to be accurate, individually or in the aggregate, has not had a Material Adverse Change or Conditions with respect to Limco and would not be reasonably expected to have a Material Adverse Change or Conditions with respect to Limco.

15.4 Covenants and Agreements. Limco shall have duly performed in all material respects all of the material covenants and agreements to be performed by it hereunder on or prior to the Initial Closing Date.

15.5 No Adverse Changes. Since the date of this Agreement, Limco shall not have suffered any Material Adverse Change or Conditions, including, without limitation, the cessation of trading of Limco's Common Stock on the Pink Sheets.

15.6 No Proceedings. No preliminary or permanent injunction or other order, decree or ruling issued by a court of competent jurisdiction or by a governmental, regulatory or administrative agency or commission, nor any statute, rule, regulation or executive order promulgated or enacted by any governmental authority, shall be in effect which would prevent or hinder the consummation of the transactions contemplated under this Agreement or which challenges the validity or enforceability of this Agreement or any term or provision hereof.

15.7 Certificates. Calavo shall have received a Certificate of Limco, dated the Initial Closing Date, signed by its Chief Executive Officer, to the effect that, the conditions specified in this Sections 15.3, 15.4 and 15.5 have been fulfilled and such other certificates and documents as Calavo may reasonably request and as provided in Article 9 hereof.

ARTICLE 16

RIGHTS OF FIRST REFUSAL

16.1 Limco Shares. Calavo shall not sell, transfer, assign, encumber or in any way dispose of any of the Limco Shares or any right or interest therein without first giving written notice to Limco in the manner provided in Article 20 hereof of Calavo's intent to dispose of the Limco Shares. Unless Calavo proposed to sell the Limco Shares on the Pink Sheets or other public market on which Limco's Common Stock is then traded, such notice shall specifically set forth the identity of the proposed transferee, the number of Limco Shares to be transferred, the price per share or other consideration for the Limco Shares and all terms and conditions of the proposed transaction, including the terms of payment. For a period of sixty (60) days, following receipt of Calavo's notice, Limco shall have the option to purchase all, but not less than all, the Limco Shares identified, at the same price and on the same terms as set forth in Calavo's written notice. If Limco elects to exercise its option, it shall notify Calavo in writing within such period and shall pay the purchase price in the same manner as designated in Calavo's notice. Any sale of all or substantially all of the assets of Calavo or a "change in control" of Calavo by the acquisition of a majority of its voting stock by any third party or group shall be deemed a "sale" of the Limco Shares for purposes of triggering the right of refusal provided herein. Upon the occurrence of such any event, Calavo shall so notify Limco in writing. For a period of 60 days following receipt of such notice, Limco shall have the right to repurchase all, but not less than all, the Limco Shares at a price per share, payable in cash, equal to the average price per share over the 60-day period preceding Calavo's notice at which Limco's shares traded in the "pink sheets" or other public market. If Calavo proposes to sell a specified number of the Limco Shares on the Pink Sheets or other public market on which Limco's Common Stock is then traded, for a period of 30 days following receipts of such notice Limco shall have the right to repurchase all or some of the specified Limco shares at a price per share, payable in cash, equal to the average price per share over the 60-day period preceding Calavo's notice at which Limco's shares traded in the "pink sheets" or other public market. Limco's option is subject to any and all legal restrictions on the ability of a corporation to repurchase its own shares. In order to facilitate Limco's right of first refusal, Calavo

agrees that it will not assign any of the Limco Shares to a nominee title holder. Calavo shall be entitled to sell or otherwise transfer any and all Limco Shares that Limco does not purchase under the right of first refusal granted by this Section 16.1, and any such sold or transferred shares shall cease to be subject to the right of first refusal contained in this Section 16.1

16.2 Calavo Shares. Limco shall not sell, transfer, assign, encumber or dispose of any of the Calavo Shares or any right or interest therein without first giving written notice to Calavo in the manner provided in Article 20 hereof of Limco's intent to dispose of the Calavo Shares. Unless Limco proposes to sell the Calavo Shares on the Nasdaq market or other public market on which Calavo's Common Stock is then traded, such notice shall specifically set forth the identity of the proposed transferee, the number of Calavo Shares to be transferred, the price per share or other consideration for the Calavo Shares and all terms and conditions of the proposed transaction, including the terms of payment. For a period of sixty (60) days, following receipt of Limco's notice, Calavo shall have the option to purchase all, but not less than all, the Calavo Shares identified, at the same price and on the same terms as set forth in Limco's written notice. If Calavo elects to exercise its option, it shall notify Limco in writing within such period and shall pay the purchase price in the same manner as designated in Limco's notice. Any sale of all or substantially all of the assets of Limco or a "change in control" of Limco by the acquisition of a majority of its voting stock by any third party or group shall be deemed a "sale" of the Calavo Shares for purposes of triggering the right of refusal provided herein. Upon the occurrence of such any event, Limco so shall notify Calavo in writing.

For a period of 60 days following receipt of such notice, Calavo shall have the right to repurchase all, but not less than all, the Calavo Shares at a price per share, payable in cash, equal to the average price per share over the 60-day period preceding Limco's notice at which Calavo's shares traded on the Nasdaq market or other public market. If Limco proposes to sell a specified number of the Calavo Shares on the Nasdaq market or other public market on which Calavo's Common Stock is then traded, for a period of 30 days following receipts of such notice Calavo shall have the right to repurchase all or some of the specified Calavo Shares at a price per share, payable in cash, equal to the average price per share over the 60-day period preceding Limco's notice at which Calavo's shares traded on the Nasdaq market or other public market. Calavo's option is subject to any and all legal restrictions on the ability of a corporation to repurchase its own shares. In order to facilitate Calavo's right of first refusal, Limco agrees that it will not assign any of the Calavo Shares to a nominee title holder. Limco shall entitled to sell or otherwise transfer any and all Calavo Shares that Calavo does not purchase under the right of first refusal granted by this Section 16.2, and any such sold or transferred shares shall cease to be subject to the right of first refusal contained in this Section 16.2

ARTICLE 17

PUBLIC DISCLOSURE

Limco and Calavo shall consult with each other, and to the extent practicable, agree before issuing any press release or otherwise making any public statement with respect to the transactions contemplated by this Agreement and will not issue any such press release or make any such public statement prior to such consultation, except as may be required by law or any listing agreement with the NASDAQ Stock Market. Calavo agrees to report the execution of this Agreement on a Form 8-K by the date prescribed by the Securities Exchange Act and to report the closing of the transactions contemplated by the Initial Closing on a Form 8-K by the date prescribed by the Securities Exchange Act.

ARTICLE 18

TERMINATION

18.1 Termination. This Agreement may be terminated at any time prior to the Initial Closing Date:

(a) By mutual agreement of Limco and Calavo; or

(b) By Calavo, at any time after August 1, 2005, if the Initial Closing has not occurred by such date and the failure of the Initial Closing to occur is not caused by a breach of this Agreement by Calavo; or

(c) By Limco, at any time after August 1, 2005, if the Initial Closing has not occurred by such date and the failure of the Initial Closing to occur is not caused by a breach of this Agreement by Limco.

18.2 Effect of Termination. In the event of the termination of this Agreement pursuant to clause (a), (b) or (c) of Section 18.1, this Agreement shall forthwith become void and have no effect, without any further liability or obligation on the part of either party to the other party. However, if the Initial Closing does not occur because of the intentional breach of this Agreement by either Calavo or Limco, (i) the breaching party shall reimburse the non-breaching party for its legal fees, accounting fees and other out-of-pocket expenses that have been incurred by the non-breaching party in connection with this Agreement, payable within ten days after receipt from the non-breaching party of documentation of such expenses in reasonable detail, and (ii) the breaching party shall be liable to the non-breaching party for damages incurred by the non-breaching party as a result of the breaching party's intentional breach of this Agreement. The non-breaching party shall not, however, be entitled to obtain an award of punitive damages.

ARTICLE 19

SURVIVAL OF REPRESENTATIONS; INDEMNIFICATIONS

19.1 Survival. All representations and warranties contained in or made pursuant to this Agreement (including Exhibits and Schedules hereto) or in any certificate, document or statement delivered pursuant hereto (the "Ancillary Documents") shall be deemed made by the parties on the respective dates of their execution of this Agreement (except for representations and warranties that specifically speak as of an earlier date) and shall be deemed remade on the Initial Closing Date, and all representations and warranties (as they may be supplemented) and all covenants, indemnities and agreements shall survive the Initial Closing and any investigation conducted by any party for a period of two (2) years (unless a claims for indemnity has been timely made within such period as set forth below). Except as provided in Section 19.2.4, Calavo's investigation of Limco and its Subsidiaries and their business, assets and liabilities shall in no manner be construed as relieving Limco from liability under this Agreement for a breach of any representation or warranty made in this Agreement, and Limco's investigation of Calavo and its subsidiaries and their business, assets and liabilities shall in no manner be construed as relieving Calavo from liability under this Agreement for a breach of any representation or warranty of Calavo made in this Agreement.

19.2 Indemnification.

19.2.1 Limco.

After the Initial Closing and subject to Sections 19.2.3, and 19.2.4, Limco shall indemnify, defend and hold Calavo, its shareholders, directors, officers, employees and agents harmless from, and reimburse Calavo for, any damage, loss, fee, liability, cost or expense (including, without limitation, the reasonable fees and expenses of counsel and others) resulting or arising from, or incurred in connection with or based upon: (i) the inaccuracy as of the Initial Closing Date of any representation or warranty of Limco which is contained in or made pursuant to this Agreement or any Ancillary Documents and, (ii) Limco's breach of or failure to perform any of its covenants or agreements contained in or made pursuant to this Agreement or any Ancillary Document.

19.2.2 Calavo. After the Initial Closing and subject to Sections 19.2.3 and 19.2.4, Calavo shall indemnify and hold Limco, and its directors, officers, employees and affiliates harmless from, and reimburse for any damage, loss, fee liability, cost or expense (including, without limitation, the reasonable fees and expenses of counsel and others) resulting or arising from, or incurred in connection with or based upon, (i) the inaccuracy as of the Initial Closing Date of any representation or warranty of Calavo which is contained in or made pursuant to this Agreement or any Ancillary Document; and (ii) Calavo's breach of or failure to perform, comply with or fulfill any covenant or agreement of Calavo contained in or made pursuant to this agreement or any Ancillary Document.

19.2.3 Notice/Defense. Upon discovery of any breach or claim hereunder or upon receipt of any notice of any claim or suit subject to indemnification under Section 19.2.1 or 19.2.2 above, the party seeking indemnification ("Indemnified Party") shall promptly give notice thereof (and in no event later than thirty days after receipt of actual notice thereof) to the party or parties from whom indemnification is sought ("Indemnifying Party") at the notice address pursuant to Article 20 stating in reasonable detail the representation, warranty or other claims with respect to which indemnity is demanded, the facts or alleged facts giving rise thereto, and the amount of liability or asserted liability with respect to which indemnity is sought, and in the case of a claim asserted against the party seeking indemnity, the Indemnified Party shall thereafter tender to the Indemnifying Party the defense of such claims at the sole cost and expense of the Indemnifying Party. Despite such a tender of defense, the party seeking indemnification shall in any

case have a right to participate in the defense of any such tendered claim or suit; provided that such participation shall be at such party's sole cost and expense after the Indemnifying Party has accepted such tender of defense, and that the Indemnifying Party shall have control of the defense. In the event that the Indemnifying Party does not promptly and affirmatively accept such tender of defense of any claim or suit, then the Indemnifying Party shall thereafter additionally become liable for all costs incurred by the party seeking indemnification (including reasonable attorneys' fees) in enforcing such indemnification claim and/or defending against such claim or suit which is subject to indemnification. No party which is entitled to indemnification under Section 19.2.1 or 19.2.2 shall settle or compromise any such third party claim without the prior written consent of the party from which it seeks or may seek indemnification, which consent shall not be unreasonably withheld. The Indemnifying Party shall not settle the claim or suit without the written consent of the Indemnified Party, which shall not be unreasonably withheld; provided, however, that the Indemnified Party shall not be required to give its consent unless the third-party claimant delivers to the Indemnified Party an unconditional release of all liability with respect to the claim or legal proceeding. Any party seeking indemnification under Section 19.2.1 or 19.2.2 shall take all reasonable actions in the defense of third party claims for which indemnification is sought. If notice is not given to the Indemnifying Party as specified, or if any claim or suit be compromised or settled in any manner without the prior written consent (which consent shall not be unreasonably withheld) of the Indemnifying Party, then no liability shall be imposed upon the Indemnifying Party hereunder with respect to such claim.

19.2.4 Waiver of Breach; Indemnification Limitations.

(a)Notwithstanding anything to the contrary in this Agreement, the completion of the Initial Closing shall conclusively evidence the waiver by each party, for all purposes, of any occurring prior to the Initial Closing by the other party of any representation, warranty, covenant or agreement and of any right to indemnification with respect to such breach, if (but only if) such breach was expressly disclosed by the breaching party in writing to the non-breaching party prior to the Initial Closing and if the non-breaching party nevertheless elected to complete the Initial Closing.

(b) Notwithstanding anything to the contrary in this Agreement, no claim shall be made by Calavo or Limco for indemnification unless and until the aggregate indemnified damages, losses, fees, liabilities, costs and expenses incurred by the indemnified party exceed Five Hundred Thousand Dollars ($500,000), in which event the indemnified party shall be entitled to full indemnification for its aggregate indemnified damages, losses, fees, liabilities, costs and expenses in excess of Five Hundred Thousand Dollars ($500,000). The indemnified damages, losses, fees, liabilities, cots and expenses of an indemnified party pursuant to this Article 19 shall be net of any insurance proceeds actually received by the indemnified party with respect to the indemnified amounts and shall be net of any tax benefits actually realized by the indemnified party as a result of payments made by the indemnified party in connection with the indemnified losses.

(c) This Article 19 sets forth the sole and exclusive remedies of Calavo and Limco to obtain monetary damages and reimbursement form the other party after the Initial Closing for a breach of any representation, warranty or covenant that is contained in this Agreement or in an exhibit, schedule or other

document that is delivered at or prior to the Initial Closing pursuant to this Agreement.

ARTICLE 20

MISCELLANEOUS

20.1 Notices. Any notice or other communication required or which may be given hereunder shall be in writing and shall be delivered personally, sent by facsimile, or sent by certified, registered or express mail, postage prepaid, and shall be deemed given when so delivered personally, telegraphed or sent by facsimile, or if mailed, three (3) days after the date of deposit with the U.S. Postal Service, postage and applicable charges prepaid, addressed as follows:

If to Limco:

Limoneira Company

1141 Cummings Road

Santa Paula, CA 93060

Attn: Harold S. Edwards

President & CEO

Facsimile: (805)525-8211

With a copy to:

Lawrence E. Stickney, Esq.
Walker, Wright, Tyler & Ward
626 Wilshire Blvd., Suite 900
Los Angeles, CA 90017
Facsimile: (213) 623-5160

If to Calavo:

Calavo Growers, Inc.
1141 A Cummings Road
Santa Paula, CA 93060
Attn: Lecil E. Cole, Chairman & CEO
Facsimile: (805) 921-3245

With a Copy to:

Marc L. Brown, Esq.
Troy & Gould, APC
1801 Century Park East
Suite 1600
Los Angeles, CA 90067
Facsimile: (310) 789-1469

20.2 Entire Agreement. Except for the obligations of the parties under a Confidentiality Agreement dated March 29, 2005 between Limco and Calavo (the “Confidentiality Agreement”), this Agreement, including the Exhibits and Schedules hereto, sets forth the entire agreement and understanding between the parties as to the subject matter hereof and merges and supersedes all prior discussions, agreements and understandings of every kind and nature between them, and no party hereto shall be bound by any covenant, condition, definition, warranty or representation other than as expressly provided for in this Agreement or as may be on a date subsequent to the date hereof duly set forth in writing signed by the party hereto which is to be bound thereby.

20.3 Waivers and Amendments. This Agreement may be amended, modified, superseded, canceled, renewed or extended, and the terms and conditions hereof may be waived only by a written instrument signed by the parties or, in the case of a waiver, by the party waiving compliance. No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party of any right, power or privilege hereunder, nor any single or partial exercise of any right, power or privilege hereunder, preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder. Except as otherwise expressly set forth in Article 19 or elsewhere in this Agreement, the rights and remedies herein

provided are cumulative and are not exclusive of any rights or remedies which any party may have in equity. The rights and remedies of any party arising out of or otherwise in respect of any inaccuracy in or breach of any representation, warranty, covenant or agreement contained in this Agreement shall in no way be limited by the fact that the act, omission, occurrence or other sate of facts upon which any claim of any such inaccuracy or breach is based may also be the subject matter of any other representation, warranty, covenant or agreement contained in this Agreement (or in any other agreement between the parties) as to which there is no inaccuracy or breach.

20.4 Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of California applicable to agreements made and to be performed entirely within such State.

20.5 No Assignment. Neither party to this Agreement may assign any right hereunder, nor delegate any obligation, without the prior written consent of the other party.

20.6 Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

20.7 Headings. The headings in the Agreement are intended solely for convenience of reference and shall be given no effect in the interpretation of this Agreement.

20.8 Benefit to Parties. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Except as provided in Article 19 with respect to indemnification, this Agreement is intended solely for the benefit of Calavo and Limco and their respective permitted successors and assigns and it is not the intention of the parties to confer third-party beneficiary rights upon any other person.

20.9 Validity. In the event that any provision of this Agreement shall be held invalid, the same shall not affect in any respect whatsoever the validity of the remainder of this Agreement.

20.10 Exhibits and Schedules. The Exhibits and Schedules attached hereto are part of this Agreement as if set forth in full herein. Any material or information disclosed or set forth in this Agreement or in any Exhibit or Schedule delivered in connection herewith shall be deemed set forth at each relevant portion of this Agreement without the necessity of repetition thereof if the other portion of this Agreement to which such disclosed material or information applies are reasonably apparent from the disclosed material or information.

20.11 Further Assurances. If, at any time, either of the parties hereto shall consider or be advised that any further assignments or assurances in law are necessary or desirable to assure itself the benefit of this Agreement according to the terms hereof or the title to any property or rights transferable hereunder, the other party shall execute and make all such reasonable, proper assurances and assignments and do all things reasonably necessary and proper to vest title in such property or right in such party and otherwise carry out the terms of this Agreement.

20.12 Transaction Expenses.

Subject to the provisions of Articles 18 and 19, whether or not the transactions contemplated herein are consummated and, regardless of whether this Agreement is terminated, each party hereto shall pay all of the costs and expenses incurred by it in connection with this Agreement or in consummating the transactions contemplated hereby, including, without limitation, disbursements and expenses of its attorneys, accountant and advisors.

IN WITNESS WHEREOF, the parties hereto have executed this Stock Purchase Agreement as of the date first above written.

LIMONEIRA COMPANY

By: /s/ Harold Edwards
Its: Chief Executive Officer

By: /s/ Don Delmatoff
Its: Chief Financial Officer

CALAVO GROWERS, INC.

By: /s/ Lecil Cole
Its: Chief Executive Officer

By: /s/ Arthur Bruno
Its: Chief Financial Officer

STANDSTILL AGREEMENT

This STANDSTILL AGREEMENT, dated as of June 1, 2005 (this "AGREEMENT"), is entered into by and among LIMONEIRA COMPANY, a Delaware corporation ("LIMONEIRA"), CALAVO GROWERS, INC., a California corporation ("CALAVO"), and the other parties who are signatories below ("CALAVO AFFILIATIES"). Calavo and the Calavo Affiliates are sometimes referred to herein individually as an "INVESTOR" and collectively, as the "INVESTORS".

WHEREAS, Calavo and Limoneira have entered into a Stock Purchase Agreement, dated June 1, 2005 (the "STOCK PURCHASE AGREEMENT");

WHEREAS, as a condition to the consummation of the transactions provided for in the Stock Purchase Agreement, Limoneira desires that the Investors make certain representations, warranties, covenants and agreements as set forth in this Agreement.

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein and in the Stock Purchase Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Definitions. Capitalized terms used herein but not otherwise defined herein shall have the meaning ascribed thereto in the Stock Purchase Agreement.

2. Representations and Warranties of Each Investor. To induce Limoneira to enter into this Agreement and the Stock Purchase Agreement and to consummate the transactions contemplated hereby and thereby, each Investor

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represents and warrants (as to himself or itself only and not with respect to any other Investor) to Limoneira as follows:

2.1 Binding Agreement. The execution, delivery and performance of this Agreement by such Investor and the consummation by such Investor of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate or partnership action (if applicable) on the part of such Investor. This Agreement has been duly executed and delivered by such Investor, and, assuming the valid authorization, execution and delivery hereof by Limoneira, is a valid and binding obligation of such Investor, enforceable against such Investor in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting or relating to the enforcement of creditors' rights generally and by general principles of equity (whether applied in a proceeding at law or in equity.)

2.2 Execution; No Violations. The execution and delivery of this Agreement by such Investor does not, and the consummation by such Investor of the transaction contemplated hereby will not: (a) violate or conflict with any organizational documents of such Investor (if applicable) or any agreement, order, injunction, decree, or judgment to which such Investor is a party or by which such Investor is bound; or (b) violate any law, rule or regulation applicable to such Investor.

2.3 Governmental and Other Consents. No consent, approval or authorization of, or designation, registration, declaration or filing with, any governmental entity or third Person is required on the part of such Investor in connection with the execution or delivery of this Agreement or the consummation by it of the transactions contemplated hereby.

2.4 Share Ownership. Calavo does not own directly or indirectly any voting securities of Limoneira, or any securities convertible into or exchangeable or exercisable for any voting securities of Limoneira, or which, upon redemption thereof could result in Calavo or any of its Affiliates receiving any voting securities of Limoneira, or options, warrants, contractual rights or other rights of any kind to acquire or vote any voting securities of Limoneira (collectively, the "VOTING SECURITIES"), except those securities acquired pursuant to the Stock Purchase Agreement (the "LIMONEIRA SHARES").

3. Standstill Arrangements.

3.1 Acquisition of Additional Voting Securities. Calavo hereby covenants and agrees that prior to the Termination Date (as hereinafter defined), neither it nor any of its Subsidiaries will, without the prior approval of the Board of Directors of Limoneira, directly or indirectly, purchase or otherwise acquire (other than pursuant to a stock split or stock dividend) or make any proposal, other than a confidential proposal to the Board of Directors of Limoneira, to or agree to acquire, or become or agree to become the beneficial owner of, more than 4.943% of the outstanding Voting Securities, other than (i) the Limoneira Shares or (ii) any Voting Securities issued as dividends on or otherwise issued in exchange or in consideration of or with respect to the Limoniera Shares (the "DIVIDEND SHARES") or shares issued as dividends on the Dividend Shares or in exchange for or in respect of the Dividend Shares.

3.2 Prohibited Actions. Each Investor hereby agrees (as to himself or itself only and not with respect to any other Investor) that, prior to the Termination Date, such Investor will not, without the prior approval of the Board of Directors of Limoneira, directly or indirectly , solicit, request, advise, assist or encourage others to, take any of the following actions:

(a) form, join in or in any other way participate in a “partnership, limited partnership, syndicate or other group” within the meaning of Section 13(d)(3) of the Exchange Act with respect to Voting Securities or deposit any Voting Securities in a voting trust or similar arrangement or subject any Voting Securities to any voting agreement or pooling arrangement, other than with one or more Affiliates of such Investor with respect to the Limoneira Shares;

(b) solicit proxies or written consents of stockholders with respect to Voting Securities under any circumstances, or make, or in any way participate in, any “solicitation” of any “proxy” to vote any Voting Securities (other than a solicitation conducted by Limoneira), or become a “participant” in any election contest with respect to Limoneira (as such terms are defined or used in Rule 14a-1 under the Exchange Act) other than an election contest related to election of members of the Board of Directors elected solely by the holders of the Limoneira Shares;

(c) seek to call, or request the call of, a special meeting of the stockholders of Limoneira unless first presented to the Limoneira Board of Directors or seek to make, or make, a stockholder proposal at any meeting of the stockholders of Limoneira that has not first been presented to the Limoneira Board of Directors;

(d) commence, or announce any intention to commence, any tender offer for any Voting Securities;

(e) make, announce any intention or desire to make, or facilitate the making of, any proposal (other than a confidential proposal to Limoneira) or bid with respect to the acquisition of any substantial portion of the assets of Limoneira or of the assets or stock of any of its subsidiaries or of all or any portion of the outstanding Voting Securities, or recapitalization or liquidation involving Limoneira or any of its subsidiaries;

(f) knowingly arrange, or in any way knowingly participate in, any financing for any transaction referred to in clauses 3(a) through 3(e) above; or

(g) make any request, or otherwise seek (in any fashion that would require public disclosure by Limoneira, such Investor or their respective Affiliates) to obtain any waiver or amendment of any provision of this Agreement or take any action restricted hereby.

4. Termination. This Agreement shall terminate with respect to a particular Investor on the date that such Investor and its Affiliates no longer own Voting Securities representing at least 5% of the outstanding Voting Securities of Limoneira (the “TERMINATION DATE”).

5. Remedies. Each party hereto hereby acknowledges and agrees that irreparable harm would occur in the event any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to specific performance hereunder, including, without limitation, an injunction or injunctions to prevent and enjoin breaches of the provisions of this Agreement and to enforce specifically the terms and provision hereof in any state or federal court in the State of California, in addition to any other remedy to which they may be entitled at law or in equity. Any requirements of the securing or posting of any bond with such remedy are waived. All rights and remedies under this Agreement are cumulative, not exclusive, and shall be in addition to all rights and remedies available to either party at law or in equity. No party hereto shall be responsible for a breach by another party if the non-breaching party does not participate in the breach.

6. Jurisdiction; Venue. The parties hereto hereby irrevocably and unconditionally consent to and submit to the jurisdiction of the courts of the State of California and of the United States of America located in the State of California for any actions, suits or proceedings arising out of or relating to this Agreement or the transactions contemplated hereby, and further agree that service of any process, summons, notice or document by U.S. certified mail to the respective

addresses set forth in Section 10 hereof shall be effective service of process for any such action, suit or proceeding brought against any party in any such court. The parties irrevocably and unconditionally waive any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement, or the transactions contemplated hereby, in the courts of the State of California of the United States of America located in the State of California, and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in any inconvenient forum.

7. Entire Agreement. This Agreement contains the entire understanding of the parties with respect to the subject matter hereof and may be amended only by an agreement in writing executed by the parties hereto.

8. Headings. Descriptive headings are for convenience only and shall not control of affect the meaning or construction of any provision of this Agreement.

9. Number; Gender. Whenever the singular number is used herein, the same shall include the plural where appropriate, and words or any gender shall include each other gender where appropriate.

10. Notices. All notices, consents, requests, instructions, approvals and other communications provided for herein and all legal process in regard hereto shall be validly given, made or served, if in writing and sent by U.S. certified mail, return receipt requested:

if to Limoneira:	Limoneira Company 1141 Cummings Road Santa Paula, CA 93060 Attention: Harold S. Edwards, CEO
with a copy to:	Lawrence E. Stickney, Esq.

	Walker, Wright, Tyler & Ward 626 Wilshire Blvd., Suite 900 Los Angeles, CA 90017
if to Calavo:	Calavo Growers, Inc. 1141 A Cummings Road Santa Paula, CA 93060 Attention: Lecil E. Cole, Chairman
with a copy to:	Marc L. Brown, Esq. Troy & Gould, APC 1801 Century Park East Suite 1600 Los Angeles, CA 90067

11. Enforceability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated. It is hereby stipulated and declared to be the intention of the parties that the parties would have executed the remaining terms, provisions, covenants and restrictions without including any of such which may be hereafter declared invalid, void or unenforceable. In addition, the parties agree to use their best efforts to agree upon and substitute a valid and enforceable term, provision, covenant or restriction for any of such that is held invalid, void or unenforceable by a court of competent jurisdiction.

12. Law Governing. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of California without regard to any conflict of laws provisions thereof.

13. Binding Effect; No Assignment. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the successors and assigns of the parties hereto. Nothing in this Agreement, expressed or implied, is intended to confer on any Person other than the parties hereto, or their respective heirs, successors, executors, administrators and assigns any rights,

remedies, obligations or liabilities under or by reason of this Agreement. No party to this Agreement may assign its rights or delegate its obligations hereunder (whether voluntarily, involuntarily, or by operation of law) without the prior written consent of the other parties. Any such attempted assignment shall be null and void.

14. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

15. Section Headings. The headings contained in this Agreement are for reference purposes only and will not affect in any way the meaning or interpretation of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written hereinabove.

Limoneira:	LIMONEIRA COMPANY
	By: /s/ Harold S. Edwards

Name: Harold S. Edwards
Title: President and CEO

Calavo: CALAVO GROWERS, INC.

By: /s/ Lecil E. Cole
Name: Lecil E. Cole
Title: Chairman, President and CEO

Calavo Affilitates:

/s/ Lecil E. Cole
Name: Lecil E. Cole

/s/ Arthur J. Bruno
Name: Arthur J. Bruno

/s/ Fred J. Ferrazzano
Name: Fred J. Ferrazzano

/s/ John M. Hunt
Name: John M. Hunt

/s/ George H. Barnes
Name: George H. Barnes

/s/ J. Link Leavens
Name: J. Link Leavens

/s/ Alva V. Snider
Name: Alva V. Snider

/s/ Michael D. Hause
Name: Michael D. Hause

/s/ Dorcas H. McFarlane
Name: Dorcas H. McFarlane

/s/ Scott Van Der Kar
Name: Scott Van Der Kar

Exhibit 10.5

STANDSTILL AGREEMENT

This STANDSTILL AGREEMENT, dated as of June 1, 2005 (this "AGREEMENT"), is entered into by and among CALAVO GROWERS, INC., a California corporation ("CALAVO"), LIMONEIRA COMPANY, a Delaware corporation ("LIMONEIRA"), and the other parties who are signatories below ("LIMONEIRA AFFILIATIES"). Limoneira and the Limoneira Affiliates are sometimes referred to herein individually as an "INVESTOR" and collectively, as the "INVESTORS".

WHEREAS, Calavo and Limoneira have entered into a Stock Purchase Agreement, dated June 1, 2005 (the "STOCK PURCHASE AGREEMENT");

WHEREAS, as a condition to the consummation of the transactions provided for in the Stock Purchase Agreement, Calavo desires that the Investors make certain representations, warranties, covenants and agreements as set forth in this Agreement.

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein and in the Stock Purchase Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Definitions. Capitalized terms used herein but not otherwise defined herein shall have the meaning ascribed thereto in the Stock Purchase Agreement.

2. Representations and Warranties of Each Investor. To induce Calavo to enter into this Agreement and the Stock Purchase Agreement and to consummate the transactions contemplated hereby and thereby, each Investor

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represents and warrants (as to himself or itself only and not with respect to any other Investor) to Calavo as follows:

2.1 Binding Agreement. The execution, delivery and performance of this Agreement by such Investor and the consummation by such Investor of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate or partnership action (if applicable) on the part of such Investor. This Agreement has been duly executed and delivered by such Investor, and, assuming the valid authorization, execution and delivery hereof by Calavo, is a valid and binding obligation of such Investor, enforceable against such Investor in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting or relating to the enforcement of creditors' rights generally and by general principles of equity (whether applied in a proceeding at law or in equity.)

2.2 Execution; No Violations. The execution and delivery of this Agreement by such Investor does not, and the consummation by such Investor of the transaction contemplated hereby will not: (a) violate or conflict with any organizational documents of such Investor (if applicable) or any agreement, order, injunction, decree, or judgment to which such Investor is a party or by which such Investor is bound; or (b) violate any law, rule or regulation applicable to such Investor.

2.3 Governmental and Other Consents. No consent, approval or authorization of, or designation, registration, declaration or filing with, any governmental entity or third Person is required on the part of such Investor in connection with the execution or delivery of this Agreement or the consummation by it of the transactions contemplated hereby.

2.4 Share Ownership. Limoneira does not own directly or indirectly any voting securities of Calavo, or any securities convertible into or exchangeable or exercisable for any voting securities of Calavo, or which, upon redemption thereof could result in Limoneira or any of its Affiliates receiving any voting securities of Calavo, or options, warrants, contractual rights or other rights of any kind to acquire or vote any voting securities of Calavo (collectively, the "VOTING SECURITIES"), except those securities acquired pursuant to the Stock Purchase Agreement (the "CALAVO SHARES").

3. Standstill Arrangements.

3.1 Acquisition of Additional Voting Securities. Limoneira hereby covenants and agrees that prior to the Termination Date (as hereinafter defined), neither it nor any of its Subsidiaries will, without the prior approval of the Board of Directors of Calavo, directly or indirectly, purchase or otherwise acquire (other than pursuant to a stock split or stock dividend) or make any proposal, other than a confidential proposal to the Board of Directors of Calavo, to or agree to acquire, or become or agree to become the beneficial owner of, more than 12.6% of the outstanding Voting Securities, other than (i) the Calavo Shares or (ii) any Voting Securities issued as dividends on or otherwise issued in exchange or in consideration of or with respect to the Calavo Shares (the "DIVIDEND SHARES") or shares issued as dividends on the Dividend Shares or in exchange for or in respect of the Dividend Shares.

3.2 Prohibited Actions. Each Investor hereby agrees (as to himself or itself only and not with respect to any other Investor) that, prior to the Termination Date, such Investor will not, without the prior approval of the Board of Directors of Calavo, directly or indirectly , solicit, request, advise, assist or encourage others to, take any of the following actions:

(a) form, join in or in any other way participate in a "partnership, limited partnership, syndicate or other group" within the meaning of Section 13(d)(3) of the Exchange Act with respect to Voting Securities or deposit any Voting Securities in a voting trust or similar arrangement or subject any Voting Securities to any voting agreement or pooling arrangement, other than with one or more Affiliates of such Investor with respect to the Calavo Shares;

(b) solicit proxies or written consents of stockholders with respect to Voting Securities under any circumstances, or make, or in any way participate in, any "solicitation" of any "proxy" to vote any Voting Securities (other than a solicitation conducted by Calavo), or become a "participant" in any election contest with respect to Calavo (as such terms are defined or used in Rule 14a-1 under the Exchange Act) other than an election contest related to election of members of the Board of Directors elected solely by the holders of the Calavo Shares;

(c) seek to call, or request the call of, a special meeting of the stockholders of Calavo unless first presented to the Calavo Board of Directors or seek to make, or make, a stockholder proposal at any meeting of the stockholders of Calavo that has not first been presented to the Calavo Board of Directors;

(d) commence, or announce any intention to commence, any tender offer for any Voting Securities;

(e) make, announce any intention or desire to make, or facilitate the making of, any proposal (other than a confidential proposal to Calavo) or bid with respect to the acquisition of any substantial portion of the assets of Calavo or of the assets or stock of any of its subsidiaries or of all or any portion of the outstanding Voting Securities, or recapitalization or liquidation involving Calavo or any of its subsidiaries;

(f) knowingly arrange, or in any way knowingly participate in, any financing for any transaction referred to in clauses 3(a) through 3(e) above; or

(g) make any request, or otherwise seek (in any fashion that would require public disclosure by Calavo, such Investor or their respective Affiliates) to obtain any waiver or amendment of any provision of this Agreement or take any action restricted hereby.

4. Termination. This Agreement shall terminate with respect to a particular Investor on the date that such Investor and its Affiliates no longer own Voting Securities representing at least 5% of the outstanding Voting Securities of Calavo (the "TERMINATION DATE").

5. Remedies. Each party hereto hereby acknowledges and agrees that irreparable harm would occur in the event any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to specific performance hereunder, including, without limitation, an injunction or injunctions to prevent and enjoin breaches of the provisions of this Agreement and to enforce specifically the terms and provision hereof in any state or federal court in the State of California, in addition to any other remedy to which they may be entitled at law or in equity. Any requirements of the securing or posting of any bond with such remedy are waived. All rights and remedies under this Agreement are cumulative, not exclusive, and shall be in addition to all rights and remedies available to either party at law or in equity. No party hereto shall be responsible for a breach by another party if the non-breaching party does not participate in the breach.

6. Jurisdiction; Venue. The parties hereto hereby irrevocably and unconditionally consent to and submit to the jurisdiction of the courts of the State of California and of the United States of America located in the State of California for any actions, suits or proceedings arising out of or relating to this Agreement or the transactions contemplated hereby, and further agree that service of any process, summons, notice or document by U.S. certified mail to the respective

addresses set forth in Section 10 hereof shall be effective service of process for any such action, suit or proceeding brought against any party in any such court. The parties irrevocably and unconditionally waive any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement, or the transactions contemplated hereby, in the courts of the State of California of the United States of America located in the State of California, and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in any inconvenient forum.

7. Entire Agreement. This Agreement contains the entire understanding of the parties with respect to the subject matter hereof and may be amended only by an agreement in writing executed by the parties hereto.

8. Headings. Descriptive headings are for convenience only and shall not control of affect the meaning or construction of any provision of this Agreement.

9. Number; Gender. Whenever the singular number is used herein, the same shall include the plural where appropriate, and words or any gender shall include each other gender where appropriate.

10. Notices. All notices, consents, requests, instructions, approvals and other communications provided for herein and all legal process in regard hereto shall be validly given, made or served, if in writing and sent by U.S. certified mail, return receipt requested:

if to Limoneira:	Limoneira Company 1141 Cummings Road Santa Paula, CA 93060 Attention: Harold S. Edwards, CEO
with a copy to:	Lawrence E. Stickney, Esq.

	Walker, Wright, Tyler & Ward 626 Wilshire Blvd., Suite 900 Los Angeles, CA 90017
if to Calavo:	Calavo Growers, Inc. 1141 A Cummings Road Santa Paula, CA 93060 Attention: Lecil E. Cole, Chairman
with a copy to:	Marc L. Brown, Esq. Troy & Gould, APC 1801 Century Park East Suite 1600 Los Angeles, CA 90067

11. Enforceability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated. It is hereby stipulated and declared to be the intention of the parties that the parties would have executed the remaining terms, provisions, covenants and restrictions without including any of such which may be hereafter declared invalid, void or unenforceable. In addition, the parties agree to use their best efforts to agree upon and substitute a valid and enforceable term, provision, covenant or restriction for any of such that is held invalid, void or unenforceable by a court of competent jurisdiction.

12. Law Governing. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of California without regard to any conflict of laws provisions thereof.

13. Binding Effect; No Assignment. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the successors and assigns of the parties hereto. Nothing in this Agreement, expressed or implied, is intended to confer on any Person other than the parties hereto, or their respective heirs, successors, executors, administrators and assigns any rights,

remedies, obligations or liabilities under or by reason of this Agreement. No party to this Agreement may assign its rights or delegate its obligations hereunder (whether voluntarily, involuntarily, or by operation of law) without the prior written consent of the other parties. Any such attempted assignment shall be null and void.

14. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

15. Section Headings. The headings contained in this Agreement are for reference purposes only and will not affect in any way the meaning or interpretation of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written hereinabove.

Calavo:	CALAVO GROWERS, INC.
	By: /s/ Lecil E. Cole Name: Lecil E. Cole

Title: Chairman, President and CEO

Limoneira: LIMONEIRA COMPANY

By: /s/ Harold S. Edwards
Name: Harold S. Edwards
Title: President and CEO

Limoneira Affiliates:

/s/ Harold S. Edwards
Name: Harold S. Edwards

/s/ Alex M. Teague
Name: Alex M. Teague

/s/ G. Ronald Hendren
Name: G. Ronald Hendren

/s/ Don P. Delmatoff
Name: Don P. Delmatoff

/s/ Allan M. Pinkerton
Name: Allan M. Pinkerton

/s/ John W. Blanchard
Name: John W. Blanchard

/s/ Gordon E. Kimball
Name: Gordon E. Kimball

/s/ Robert M. Sawyer
Name: Robert M. Sawyer

/s/ Samuel R. Edwards
Name: Samuel R. Edwards

/s/ Robert A. Proctor
Name: Robert A. Proctor

/s/ Ronald L. Michaelis
Name: Ronald L. Michaelis

/s/ Alan M. Teague
Name: Alan M. Teague

/s/ John W.H. Merriman
Name: John W.H. Merriman

/s/ John M. Dickenson
Name: John M. Dickenson

Exhibit 10.6

LEASE AGREEMENT

(OFFICE SPACE)

THIS LEASE AGREEMENT, made and entered into this 15th day of February, 2005, by and between LIMONEIRA COMPANY, a Delaware corporation (hereinafter referred to as "Landlord"), and CALAVO GROWERS, INC., a California corporation (hereinafter referred to as "Tenant");

WITNESSETH:

ARTICLE I

DEMISED PREMISES

1.01 Landlord demises and leases to Tenant, and Tenant rents from Landlord, those certain premises (the "Premises") in the City of Santa Paula, County of Ventura, and State of California, described as follows: the first and second floors of the east wing and three offices in the center building of the Limoneira Ranch Headquarters located at 1141 Cummings Road, Santa Paula, California 93060 (the "Limoneira Headquarters Building"), containing approximately 9,490 square feet, as depicted on Exhibit A attached hereto, together with the improvements and fixtures described on Exhibit B hereto, all of which are to be purchased and installed by Landlord at its sole expense.

ARTICLE II

TERM

2.01 The term of this Lease shall commence on February 15, 2005, and shall continue thereafter for a period of ten (10) years. Tenant shall have options to extend this Lease for two additional terms of five (5) years each. Each such option may be exercised by written notice from Tenant to Landlord given not less than ninety (90) days prior to expiration of the then current Lease term, provided that an Event of Default (as defined below) does not exist under this Lease at the time it delivers its written notice.

ARTICLE III

RENT

3.01 During the first year of the term of this Lease, Tenant shall pay rent to Landlord annual rental of Two Hundred Seven Thousand Two Hundred Twenty-Six Dollars and Sixty Cents ($207,226.60) in monthly installments of Seventeen Thousand Two Hundred Sixty-Eight Dollars and Eighty-Eight Cents ($17,268.88) per month on or before the tenth (10th) day of each calendar month for the current calendar month. The payment of said rent shall begin on the commencement date as provided in Section 2.01 hereof. Said rent shall be paid at the office of Landlord, located at 1141 Cummings Road, Santa Paula, California 93060, or at such other place as may be designated in writing from time to time by Landlord. Rent shall be adjusted annually commencing in February, 2007, effective as of the fifteenth day of February to reflect to increase in the "CPI" as of that month over the CPI for February, 2005. No such increase shall be in excess of five percent (5%) in any year. CPI for purposes of this Lease shall mean the

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Consumer Price Index for all Urban Consumers for the Los Angeles, Orange and Riverside County areas. In the event that such Index is no longer published at the time of a scheduled rent adjustment, Landlord and Tenant shall agree upon and utilize the most comparable index then being published.

ARTICLE IV

USE OF PREMISES

4.01 Tenant shall occupy and use the Demised Premises for the operation of its corporate offices, or (subject to Landlord's prior written approval not to be unreasonably withheld, delayed or conditioned) any other lawful purpose.

ARTICLE V

PAYMENT OF TAXES AND UTILITY CHARGES

5.01 Taxes. Landlord shall pay all City and County real property taxes on the land and building comprising the Limoneira Headquarters Building, including the Premises. Nothing contained in this Lease shall require Tenant to reimburse Landlord for or pay for any franchise, estate, inheritance, succession, capital levy or transfer tax of Landlord, or any income, excess profits or revenue tax or any other tax, assessment, charge or levy upon the rent payable by Tenant under this Lease. Tenant shall pay any and all taxes assessed or imposed, and which become payable during the Lease term, upon Tenant's fixtures, furniture, appliances and personal property located or installed in the Premises, but not including any of the items listed on Exhibit B hereto installed by Landlord for Tenant's use.

5.02 Utility Charges. Landlord shall pay for all charges for electricity, water, gas and other utility services used on the Premises during the term of this Lease and shall provide janitorial services to the Premises comparable to those it provides for its own corporate offices. Landlord shall also provide all maintenance for the Premises as set forth in Article VI hereof; provided that such services shall not in any event be less than those customarily provided by landlords of comparable leased space in Ventura County, California.

ARTICLE VI

SERVICES

6.01 Landlord shall maintain the public and common areas of the Limoneira Headquarters Building, including, without limitation, lobbies, stairs, elevators, corridors and restrooms, windows, plumbing and electrical equipment, and the structure itself in reasonable good order and condition except for damage occasioned by the act of Tenant, its employees, agents, contractors or invitees, which damage shall be repaired by Landlord at Tenant's expense to the extent such expense is reasonable under the circumstances.

6.02 Landlord shall furnish the Premises with (1) electricity for lighting and the operation of customary office machines and equipment, (2) heat and air conditioning to the extent reasonably required for the comfortable occupancy by Tenant in its use of the Premises, subject to any applicable policies or regulations adopted by any utility or

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governmental agency, (3) water for drinking and lavatory purposes, (4) lighting replacement (for building standard lights), (5) restroom supplies, (6) window washing with janitor service. Landlord may establish reasonable measures to conserve energy, including but not limited to, automatic switching off of lights after hours. Landlord shall not be in default hereunder or be liable for any damages directly or indirectly resulting from, nor shall the rent herein reserved be abated by reason of (i) the installation, use or interruption of use of any equipment in connection with the furnishing of any of the foregoing services, except to the extent resulting from Landlord's gross negligence or willful misconduct, (ii) failure to furnish or delay in furnishing any such services when such failure or delay is caused by accident or any condition beyond the reasonable control of Landlord or by the making of repairs or improvements to the Premises or to the Limoneira Headquarters Building, or (iii) the limitation, curtailment, rationing or restrictions on use of water, electricity, gas or any other form of energy serving the Premises or the Limoneira Headquarters Building imposed by any governmental authority.

6.03 Whenever heat-generating equipment or lighting other than building standard lights are used in the Premises by Tenant which affect the temperature otherwise maintained by the air conditioning system, Landlord shall have the right, after notice to Tenant, to install supplementary air conditioning facilities in the Premises or otherwise modify the ventilating and air conditioning system serving the Premises, and the reasonable cost of such facilities and modifications shall be borne by Tenant. Tenant shall also pay the cost of providing all cooling energy to the Premises in excess of that

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required for normal office use or during hours requested by Tenant when air conditioning is not otherwise furnished by Landlord. If there is installed in the Premises lighting requiring power in excess of that required for normal office use in the Limoneira Headquarters Building or if there is installed in the Premises equipment requiring power in excess of that required for normal desk-top office equipment or normal copying equipment, Tenant shall pay for the cost of such excess power, together with the reasonable cost of installing any additional risers or other facilities that may be reasonably necessary to furnish such excess power to the Premises.

6.04 In the event that Landlord, at Tenant's request, provides services to Tenant that are not otherwise provided for in this Lease, Tenant shall pay Landlord's reasonable charges for such services upon billing therefor.

6.05 Landlord shall provide to Tenant, without charge, paved parking areas for use by Tenant's officers, directors, employees and invitees. Such parking will be in an asphalt paved parking areas east of the Lemon Packing House. Landlord reserves the right to relocate such parking areas from time to time, provided that such access shall at all times be reasonably proximate to the Premises.

ARTICLE VII

INSURANCE BY TENANT – INDEMNITY

7.01 Public Liability Insurance. Tenant agrees that, at its own cost and expense, it shall procure and continue in force, in the name of Landlord and Tenant,

general liability insurance against any and all claims for injuries to persons occurring in, upon or about the Demised Premises. During the term of this Lease, such insurance shall be in an amount not less than One Million Dollars ($1,000,000) for injury to or death of any one person in one accident, and not less than Three Million Dollars ($3,000,000) for injuries to or death of all persons in any one accident and to the limit of not less than Five Hundred Thousand Dollars ($500,000) in respect to property damage. Such policy shall name Landlord as an additional insured.

7.02 Tenant shall also procure at its costs and expense and keep in effect during the term of this Lease insurance against damage by fire and other perils included within "all-risk" coverage (but excluding earthquake, flood and acts of terrorism) in an amount not less than the full replacement cost of all of the leasehold improvements in the Premises and Tenant's trade fixtures, furnishings and equipment in the Premises. A copy of each policy of insurance shall be delivered to Landlord by Tenant prior to commencement of the term of this Lease and upon each renewal of such insurance. In the event Tenant shall fail to procure such insurance, or to deliver to Landlord such policies, Landlord may, at its option upon no less than five (5) days prior written notice from Landlord, procure the same for the account of Tenant, and the cost thereof shall be paid to Landlord within (5) days after delivery to Tenants of bills therefor. Each insurance policy required to be maintained by Tenant under this Article VII shall provide that it is primary insurance and not excess over or contributory with any other valid, existing and applicable insurance in force for or on behalf of any of the parties required to be named as additional insured thereunder, shall be issued by insurance companies

licensed to do business in the State of California and otherwise reasonably acceptable to Landlord, and shall provide that such insurance may not be cancelled or amended without thirty (30) days' prior written notice to Landlord

7.03 Subrogation. Landlord and Tenant shall each obtain from its respective insurers under all policies of fire insurance, and to the extent obtainable, theft, public liability, workers' compensation and other insurance maintained by either of them at any time during the term hererof insuring or covering the Limoneira Headquarters Building or any portion thereof or operations therein, a waiver of all rights of subrogation which the insurer of one party might have against the other party, and Landlord and Tenant shall each indemnify the other against and reimburse the other for any and all loss or expense, including reasonable attorney's fees, resulting from the failure to obtain such waiver.

7.04 Indemnification. Tenant hereby waives all claims against Landlord for the theft, loss or damage to any property, fixtures or improvements or injury of death of any person in, upon or about the Premises arising at any time and from any cause other than to the extent arising by reason of the gross negligence or willful misconduct of Landlord, its employees or contractors, and Tenant shall indemnify, defend and hold Landlord harmless from any and all loss, cost, damage or liability arising from the use or occupancy of the Premises or the Limoneira Headquarters Building by Tenant or Tenant's failure to perform its obligations under this Lease, except to the extent such is caused by the gross negligence or willful misconduct of Landlord, its contractors or employees. The foregoing indemnity obligation of Tenant shall include reasonable

attorneys' fees, investigation costs and all other reasonable costs and expense incurred by Landlord from the first notice that injury, death or damage has occurred or that any claim or demand is to be made or may be made. The provisions of this Article shall survive the termination of this Lease.

ARTICLE VIII

REPAIRS, MAINTENANCE AND RECONSTRUCTION

8.01 Except as hereinafter provided, Landlord during the entire term of this Lease and any extension thereof, shall keep the entire Premises and all improvement therein, in good condition and repair.

8.02 Tenant shall not have the right, without the consent of Landlord, not to be unreasonably withheld, delayed or conditioned, to make any alterations or additions to the Premises if the reasonable expected cost thereof exceeds twenty-five thousand dollars ($25,000). Upon the expiration of this Lease, any then existing alterations, additions and improvements made by Tenant to or upon the Premises, except Tenant's signs, shall become the property of Landlord.

8.03 At the termination of this Lease, Tenant shall surrender the Premises to Landlord in good condition and repair, subject only to the consequences and effect of reasonable wear and tear; provided, however, that Tenant shall be under no obligation to repair or restore any portion of said building or other improvements which may be damaged or destroyed by reason of fire, earthquake, the elements or other casualty.

8.04 In the event the Limoneira Headquarters Building shall be damaged by fire, earthquake, the elements or other casualty, the following provision shall apply: if the Limoneira Headquarters Building shall be totally destroyed or partially destroyed from causes covered by insurance to an extent exceeding twenty-five per cent (25%) of the then full replacement costs (excluding foundations), and Landlord has not commenced the repair, reconstruction or restoration of the building within sixty (60) days after the date of such destruction, either Tenant or Landlord shall have the right to terminate this Lease by giving written notice of its election to terminate to the other party within ninety (90) days, but not before sixty (60) days from the date of such destruction. If neither party shall elect to terminate this Lease within such 90-day period, Landlord shall promptly commence repair, reconstruction and restoration of said building and prosecute the same diligently to completion, in which event this Lease shall continue in full force and effect.

8.05 Upon any termination of this Lease under any of the provisions of this Article VIII, Tenant shall surrender possession of the Premises within sixty (60) days after receipt of such written notice of termination, whereupon the parties shall be released thereby from any further obligations to the other except for items which have theretofore accrued and are then unpaid, and such termination shall be deemed to relate back to the date of destruction, provided that if the Premises or any portion thereof shall be kept open for business after the date of destruction and prior to the surrender of possession of the Premises, the termination date shall be the date that Tenant shall discontinue the conduct of its business in the Premises. In the event of any termination, as herein provided,

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Tenant shall forthwith surrender the Premises to Landlord, and upon such surrender Landlord shall refund to Tenant any unearned rent paid by Tenant, calculated at a daily rate based on the regular monthly rate and shall pay to Tenant and unexpired taxes and insurance premiums.

8.06 In the event of repair, reconstruction and restoration under any of the conditions of this Article VIII, Tenant shall not be entitled to any damages by reason of any inconveniences or loss sustained by Tenant. During any such period of repair, reconstruction and restoration, all rent paid in advance shall be apportioned, and the monthly rental thereafter accruing shall be equitably and proportionately prorated and adjusted according to the nature, extent and duration of the damage sustained and according to the suitability of the Premises for the use and occupancy of Tenant in the conduct of its business, until the Premises shall have been repaired, reconstructed or restored by Landlord. The full rental shall again become payable at such time after the completion of such work of repair, reconstruction and restoration and when Tenant shall use the restored part of the Premises in the carrying on of its business, or within thirty (30) days after the completion of such work, whichever shall first occur.

ARTICLE IX

ENTRY BY LANDLORD

9.01 Landlord may enter the Premises at reasonable hours to (a) inspect the same; (b) exhibit the same to prospective purchasers, lenders or tenants, provided, however, that Landlord shall only exhibit the Premises to prospective tenants during the

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final twelve (12) months of Tenant’s occupancy of the Premises; (c) determine whether Tenant is complying with all its obligations hereunder; (d) supply janitor service and any other service to be provided by Landlord to Tenant hereunder; (e) make repairs required of Landlord under the terms hereof or repairs to any adjoining space or utility services or make repairs, alterations or improvements to any other portion of the Building; provided that no entry by Landlord shall unreasonably interfere with Tenant’s use or occupancy of the Premises. Tenant hereby waives any claim for damages for any inconvenience to or interference with Tenant’s business or any loss of occupancy or quiet enjoyment of the Premises occasioned by such entry, except to the extent that such damages result from Landlord’s unreasonable interference with Tenant’s use or occupancy of the Premises or Landlord’s gross negligence or willful misconduct Landlord shall at all time have and retain a key with which to unlock all of the doors in, on or about the Premises (excluding Tenant’s vaults, safes and similar areas designated in writing by Tenant in advance); and Landlord shall have the right to use any and all means which Landlord may deem proper to open Tenant’s doors in an emergency in order to obtain entry to the Premises, and any entry to the Premises obtained by Landlord in an emergency shall not be construed or deemed to be a forcible or unlawful entry into or a detainer of the Premises or an eviction, actual or contructive, of Tenant from the Premises or any portion thereof.

ARTICLE X

EVENTS OF DEFAULT

10.01 Default. The following events shall constitute Events of Default under this Lease:

(a) Tenant's failure to pay when due any rent or other sum payable hereunder and the continuation of such failure for a period of fifteen (15) days after Tenant receives written notice from Landlord that the same is due, provided that if Tenant has failed three or more times in any twelve-month period to pay any rent or other sum within such fifteen (15) day period, such grace period shall thereafter be reduced to three (3) days;

(b) Tenant's failure to perform any of the other terms, covenants, agreements or conditions contained herein and, if the failure is curable, the continuation of such failure for a period of thirty (30) days after notice by Landlord or beyond the time reasonably necessary for cure if the failure is of a nature to require more than thirty (30) days to remedy, provided that if Tenant has failed to perform the same obligation three or more times in any twelve-month period and notice of such failure has been given by Landlord in each instance, no cure period shall thereafter be applicable hereunder;

(c) The bankruptcy or insolvency of Tenant, transfer by Tenant in fraud of creditors, an assignment by Tenant for the benefit of creditors, or the commencement of any proceedings of any kind by or against Tenant under any provision of the Federal Bankruptcy Act or under any other insolvency, bankruptcy or reorganization act unless, in the event any such proceeding such involuntary, Tenant is discharged from the same within ninety (90) days thereafter;

(d) the appointment of a receiver for all or a substantial part of the assets of Tenant;

(e) the abandonment of the Premises; or

(f) the levy upon Tenant's interest in this Lease or any estate of Tenant hereunder by any attachment or execution and the failure to have such attachment or execution vacated within thirty (30) days thereafter.

ARTICLE XI

TERMINATION UPON DEFAULT

11.01 In any notice given pursuant to Article X above, Landlord in its sole discretion may elect to declare a forfeiture of this Lease as provided in Section 1161 of the California Code of Civil Procedure, and provided that Landlord's notice state such an election, Tenant's right to possession shall terminate and this Lease shall terminate, unless on or before the date specified in such notice, all arrears of rent and all other sums payable by Tenant under this Lease and all costs and expenses incurred by or on behalf of Landlord hereunder, including reasonable attorneys' fees shall be paid by Tenant and all other breaches of this Lease by Tenant at the time existing shall have been fully remedied to the satisfaction of Landlord. Upon such termination, Landlord may, at its option and without any further notice or demand, in addition to any other rights and remedies given hereunder or by law, exercise its remedies relating hereto in accordance with the following provisions:

(i) In the event of any such termination of this Lease, Landlord may then or at any time thereafter by judicial process, re-enter the Premises and remove therefrom all persons and property and again repossess and enjoy the Premises, without prejudice to any other remedies that Landlord may have by reason of Tenant's default or of such termination.

(ii) In the event of any such termination of this Lease, and in addition to any other rights and remedies Landlord may have, Landlord shall have all of the rights and remedies of a landlord provided by Section 1951.2 of the California Civil Code. The amount of damages which Landlord may recover in event of such termination shall include, without limitation, (1) the worth at the time of award (computed by discounting such amount a the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent) of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of rental loss that Tenant proves could be reasonable avoided, (2) all reasonable legal expenses and other related costs incurred by Landlord following Tenant's default, (3) all reasonable costs incurred by Landlord in restoring the Premises to good order and condition, or in remodeling, and (4) all costs (including, without limitation, any brokerage commissions) incurred by Landlord in reletting the Premises.

(iii) After terminating this Lease, Landlord may remove any and all personal property of Tenant located in the Premises and place such property in a public or private warehouse or elsewhere at the sole cost and expense of Tenant. In the event that

Tenant shall not immediately pay the cost of storage of such property after the same has been stored for a period of thirty (30) days or more, Landlord may sell any or all thereof at a public or private sale in such manner and such times and places as Landlord in its sole discretion may deem proper, without notice to or demand upon Tenant. Tenant waives all claims for damages that may be caused by Landlord's removing or storing or selling the property as herein provided, and Tenants shall indemnify and hold Landlord free and harmless from and against any and all losses, costs and damages, including without limitation all costs of court and attorneys' fees of Landlord occasioned thereby, except for those arising by reason of Landlord's gross negligence or willful misconduct.

11.02 In the event of the occurrence of any of the events specified in Section 10.01(c) of this Lease, if Landlord shall not choose the exercise, or by law shall not be able to exercise, its rights hereunder to terminate this Lease, then, in addition to any other rights of Landlord hereunder or by law, (1) Landlord may discontinue the services provided pursuant to Article VI of this Lease, unless Landlord has received compensation in advance for such services in the amount of Landlords' reasonable estimate of the compensation required with respect to such services, and (2) neither Tenant, as debtor-in-possession, nor any trustee or other person (collectively, the "Assuming Tenant") shall be entitled to assume this Lease unless on or before the date of such assumption, the Assuming Tenant (a) cures, or provides adequate assurance that the Assuming Tenants will promptly cure, any existing default under this Lease, (b) compensates, or provides adequate assurance that the Assuming Tenant will promptly compensate, Landlord for any pecuniary loss (including, without limitation, attorneys' fees and disbursement)

resulting from such default, and (c) provides adequate assurance of future performance under this Lease. For purposes of this Section 11.02, "adequate assurance" of such cure, compensation of future performance shall be effected by the establishment of an escrow fund for the amount at issue or by bonding.

ARTICLE XII

CONTINUATION AFTER DEFAULT

12.01 If an Event of Default exists under this Lease and Tenant has abandoned the Premises, Landlord shall also have the remedy described in California Civil Code Section 1951.4 (Landlord may continue this Lease in effect after Tenant has breached this Lease and abandoned the Premises and recover rent as it becomes due; provided, however that Tenants has the right to sublet or assign this Lease, subject only to reasonable limitations). Acts of maintenance or preservation or efforts to relet the Premises or the appointment of a receiver upon initiative of Landlord to protect Landlord's interest under this Lease shall not constitute a termination of Tenant's right to possession.

12.02 The remedies provided for in this Lease are in addition to any other remedies available to Landlord at law or in equity by statute or otherwise.

ARTICLE XIII

ASSIGNMENT AND SUBLEASE

13.01 Tenants shall not have the right at any time to sublease, sublet or assign all or any portion of the Premises or its interest in this Lease. Any such assignment or subleasing shall be void unless Landlord shall first agree in writing to such assignment or subletting, which agreement Landlord shall not unreasonably withhold, delay or condition.

ARTICLE XIV

ENCUMBRANCES BY LANDLORD

14.01 Tenant agrees that, except as hereinafter provided with respect to Tenant's right to possession of the Premises, Tenant's rights under this Lease are and shall always be subordinate to the lien of any mortgage or trust deed now or hereafter placed from time to time upon the Limoneira Headquarters Building of which the Premises are a part in favor of a bank, savings and loan association, insurance company or other financial institution. Tenant shall, upon written demand from Landlord, execute such other and further instruments or assurances subordinating this Lease to the lien or liens of any such mortgage or mortgages or trust deeds except as hereinafter limited with respect to Tenant's right to possession. Tenant's possession and right of use under this Lease in and to the Premises shall not, however, be disturbed by any mortgagee, trustee under a trust deed, owner or holder of a note secured by a mortgage or trust deed now existing or hereafter placed on the Limoneira Headquarters Building unless and until Tenant shall breach any of the provisions of this Lease and the Lease term or Tenant's right to

possession shall have been lawfully terminated in accordance with the provisions of this Lease. If any mortgagee or trustee under a trust deed elects to have Tenant's interest in this Lease superior to any such interest by notice to Tenant, then this Lease shall be deemed superior to any such mortgage or trust deed whether this Lease was executed before or after such mortgage or trust deed.

ARTICLE XV

TERMINATION – ABATEMENT

15.01 If, without Tenant's fault, the operation on the Premises of the business then being conducted on the Premises is substantially impaired or prevented for more than ninety (90) days by the deprivation or limitation of any access thereto or therefrom, by any governmental taking or action, Tenant may terminate this Lease by giving Landlord at least thirty (30) days' written notice; provided that, in the event of any such acquisition or taking, such notice may be given at any time not later than ninety (90) days after physical possession of the Premises is taken or the judgment in the condemnation proceeding becomes final, whichever occurs later; and if the taking is total, the rent shall immediately abate, or if only partial, but is sufficient in Tenant's reasonable judgment to prevent or substantially impair operation of the business then located on the Premises, the rent shall abate when physical possession of the Premises is taken. Neither the existence nor exercise of any right under this Lease to terminate, nor any abatement of rent, shall waive, limit or affect in any way Tenant's rights, then accrued or thereafter to accrue, in any proceeding, settlement or award for condemnation or for damages resulting from any other of the events specified in this Article XV.

ARTICLE XVI

EMINENT DOMAIN

16.01 In the event the entire Premises shall be appropriated or taken under the power of eminent domain by any public or quasi-public authority, this Lease shall terminate and expire as of the date of such taking and the parties hereto shall thereupon be released from any liability thereafter accruing hereunder.

16.02 In the event more than ten percent (10%) of the ground floor area of the Premises is taken under the power of eminent domain by any public or quasi-public authority, Tenant shall have the right to terminate this Lease as of the date of such taking upon giving to Landlord notice, in writing, of such election within thirty (30) days after such appropriation or taking. In the event of such termination, both parties shall thereupon be released from any liability thereafter accruing hereunder. Landlord agrees immediately after it received notice of the intention of any such authority to appropriate or take to give to Tenant notice, in writing, thereof.

16.03 This Lease is not terminated by Tenant in accordance with the foregoing provisions, there shall be no abatement of rent and this Lease shall remain in full force and effect and Landlord shall receive and retain any amount awarded as compensation for the taking of fixtures and equipment owned by Landlord or for the expense of removing or repairing the same or for improvements constructed by Landlord at its own cost.

16.04 If this Lease is terminated in the manner hereinabove provided, each party shall be entitled to any award made to it in such proceedings, but the rent for the last month of Tenant's occupancy shall be prorated and Landlord agrees to refund to Tenant any rent paid in advance.

XVII

ATTORNEYS' FEES

17.01 If as a result of any breach or default in the performance of any of the provisions of this Lease, Landlord uses the services of an attorney in order to secure compliance with such provision or recover damages therefor, or to terminate this Lease or evict Tenants, Tenant shall reimburse Landlord upon demand for any and all reasonable attorneys' fees and expenses so incurred by Landlord, provided that if Tenant shall be the prevailing party in any legal action brought by Landlord against Tenant, Tenant shall be entitled to recover reasonable attorneys' fees and expenses incurred by Tenant.

ARTICLE XVIII

HOLDING OVER

18.01 Any holding over after the expiration of the term of this Lease with the consent of Landlord shall be deemed a tenancy from month-to-month at a rental equal to one hundred twenty percent (120%) of the monthly rental being paid by Tenant as of the last month of the term of this Lease. All other conditions and agreements of this Lease shall be applicable to such holding over.

ARTICLE XIX

MISCELLANEOUS

19.01 Notices. Whenever under this Lease a provision is made for any demand, notice or declaration of any kind or where it is deemed desirable or necessary by either party to give or serve any such notice, demand or declaration to the other, it shall be in writing sent by registered or certified mail with postage prepaid, if to Tenant, addressed to Tenant at 1141 A Cummings Road, Santa Paula, California 93060 and if to Landlord, addressed to Landlord at 1141 Cummings Road, Santa Paula, California 93060 and either party may, by like notice, at any time and from time to time, designate a different address to which notices shall be sent. Such notices, demands or declarations shall be deemed sufficiently served or given for all purposes hereunder at the time they shall be mailed by United States registered or certified mail as aforesaid.

19.02 Waiver. One or more waivers of any covenant, term or condition of this Lease by either party shall not be construed by the other party as a waiver of a subsequent breach of the same covenant, term or condition. The consent or approval of either party to or of any act by the other party of a nature requiring consent or approval shall not be deemed to waiver or render unnecessary consent to or approval of any subsequent similar act.

19.03 Relationship of Parties. Nothing contained in this Lease shall be deemed or construed by the parties hereto or by any third party to create the relationship of principal and agent or of partnership or of joint venture or of any association whatsoever

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between Landlord and Tenant, it being expressly understood and agreed that none of the provisions contained in this Lease nor any act or acts of the parties hereto shall be deemed to create any relationship between Landlord and Tenant other than the relationship of Landlord and Tenant.

19.04 Governing Laws. The laws of the State of California shall govern the validity, performance and enforcement of this Lease.

19.05 Savings Clause. The invalidity or unenforcibility of any provision of this Lease shall not affect or impair the validity of any other provision.

19.06 Margin Headings. The Paragraph titles herein are for convenience only and do not define, limit or construe the contents of such Paragraph.

19.07 Covenant to Bind Successors. It is agreed that the provisions, covenants and conditions of this Lease shall be binding on the legal representatives, heirs, successors and assigns of the respective parties hereto.

19.08 Entire Agreement. This Lease and the Exhibits attached hereto and forming a part hereof, set forth all of the covenants, promises, agreements, conditions and understandings between Landlord and Tenant governing the Premises. There are no covenants, promises, agreements, conditions and understandings, either oral or written, between them other than those herein set forth. Except as herein provided, no subsequent

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alterations, amendments, changes or additions to this Lease shall be binding upon Landlord or Tenant unless and until reduced to writing and signed by both parties.

IN WITNESS WHEREOF, the parties hereto have executed this Lease Agreement as of the day and year first above written.

LANDLORD

LIMONEIRA COMPANY

By /s/ Harold Edwards

By /s/ Don Delmatoff

TENANT

CALAVO GROWERS INC.

By /s/ Lecil Cole

By /s/ Arthur Bruno

Loan No. 9259535-01

AMENDED AND RESTATED LINE OF CREDIT AGREEMENT

by and between

LIMONEIRA COMPANY, a Delaware corporation
as "Borrower"

and

RABOBANK, N.A., a national banking association
as "Lender"

dated
as of
December 15, 2008

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AMENDED AND RESTATED LINE OF CREDIT AGREEMENT

This Amended and Restated Line of Credit Agreement (this "Agreement") is dated and made effective as of December 15, 2008 between **RABOBANK, N.A.** a national banking association ("Lender") and **LIMONEIRA COMPANY**, a Delaware corporation ("Borrower").

This Agreement amends, restates, and supersedes that certain Line of Credit Agreement between Borrower and Lender dated as of August 8, 2008 (the "**Original Credit Agreement**"). From and after delivery of this Agreement, this Agreement shall replace the Original Credit Agreement and govern the rights of the parties with respect to the obligations originally covered by the Original Loan Agreement.

Borrower has requested a line of credit facility from Lender. Lender is willing to extend credit to Borrower subject to the terms and conditions of this Agreement.

Borrower and Lender agree as follows:

ARTICLE 1 - DEFINITIONS, ACCOUNTING MATTERS AND RULES OF INTERPRETATION

Section 1.01 **Definitions**. For purposes of this Agreement the following capitalized terms shall have the respective meanings set forth below (terms defined in the singular to have the same meaning when used in the plural and vice versa). Capitalized terms not defined below shall have the meanings defined elsewhere in this Agreement.

"Affiliate" means, with respect to any specified Person, any other Person controlling or controlled by or under common Control with such specified Person.

"Agreement" means this agreement, as amended, supplemented, or modified from time to time.

"Banking Day" means any day other than a Saturday, Sunday, or other day on which commercial banks in California are authorized or required to close and, if the applicable day relates to a LIBOR Rate Loan, a day on which dealings in Dollar deposits are also carried on in the London Interbank market and banks are open for business in London.

"Borrower" shall have the meaning specified in the preamble of this Agreement.

"Capital Lease" means all leases which have been or should be capitalized on the books of the lessee in accordance with GAAP.

"Closing Date" means the later of (a) the Effective Date or (b) the first date Lender acknowledges that all the conditions precedent in **Section 6.01** are satisfied or waived in accordance with **Section 14.10**.

"Collateral" shall have the meaning specified in **Section 5.01**.

"Collateral Documents" means collectively, all security agreements, deeds of trust, mortgages, collateral assignments, pledge agreements, control agreements, and other instruments or agreements requested by Lender for purposes of creating or perfecting a Lien in favor of Lender in the Collateral.

"Commonly Controlled Entity" means an entity, whether or not incorporated, which is under common control with Borrower within the meaning of Section 414(b) or 414(c) of the Internal Revenue Code of 1986, as amended from time to time, and the regulations issued there under from time to time, and published interpretations thereof.

"Control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"CPA" means a Certified Public Accountant acceptable to Lender.

"Current Portion of Long Term Debt" means regularly scheduled principal payments of any Debt with a maturity greater than twelve (12) months.

"Debt" means (i) indebtedness or liability for borrowed money; (ii) obligations evidenced by bonds, debentures, notes, or other similar instruments; (iii) obligations for the deferred purchase price of property or services (including trade obligations); (iv) obligations as lessee under Capital Leases; (v) current liabilities in respect of unfunded vested benefits under Plans covered by ERISA; (vi) obligations under acceptance facilities; (vii) all guaranties, endorsements (other than for collection or deposit in the ordinary course of business), and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any Person or entity, or otherwise to assure a creditor against loss; (viii) obligations secured by any Liens, whether or not the obligations have been assumed; and (ix) any obligations under any Hedging Agreement.

"Debt Service Coverage Ratio" for any determination period, means the ratio of EBITDA minus dividends, to Current Portion of Long Term Debt plus interest expense.

"Default Rate" shall mean the lesser of (a) the Maximum Rate or (b) that rate per annum which shall from day-to-day be equal to 5.00% in excess of the rate which would otherwise be applicable.

"Designated Account" shall mean Lender's account no. 1291237167 in the name of Borrower or such other account as designated in writing by Borrower and agreed to by Lender.

"Drawdown Date" means, subject to the provisions of this paragraph, in the case of any Line of Credit Advance, the date on which any Line of Credit Advance is made.

"EBITDA" means at any date the sum of (A) net income, excluding any extraordinary and non-operating income or losses, of a Person for the preceding twelve (12) months plus (B) any interest expense, income taxes, depreciation, amortization, and other non-cash charges for such twelve (12) months to the extent they were deducted from gross income to calculate net income.

"Effective Date" means the effective date of this Agreement, as specified in the preamble.

"Environmental Laws" means all applicable laws relating to or imposing liability or standards of conduct concerning protection of health or the environment.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations issued there under from time to time, and published interpretations thereof.

"ERISA Plan" means any pension plan which is covered by Title IV of ERISA and in respect of which Borrower or a Commonly Controlled Entity is an "employer" as defined in Section 3(5) of ERISA.

"GAAP" shall have the meaning specified in **Section 1.02.**

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, administrative tribunal, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Hazardous Substance" means any substance, material or waste that is or becomes designated or regulated as "toxic," "hazardous," "caustic," "pollutant," or "contaminant" or a similar designation or regulation under any Environmental Law, and shall also include, without limitation, asbestos, PCBs, petroleum or natural gas.

"Hedging Agreement" means any interest rate swap, interest rate caps, interest rate collars or other similar agreements entered into by Lender, Rabobank International, or any other Affiliate of Lender, with the Borrower, for the purpose of fixing or limiting interest expense or pursuant to any foreign exchange, currency hedging, commodity hedging, security hedging or other agreement for the purpose of limiting the market risk of holding currency, a security or a commodity in either the cash or futures markets.

"Hedging Obligations" means all obligations, indebtedness, and liabilities of the Borrower to Lender, Rabobank International, or any other Affiliate of Lender, arising pursuant to any Hedging Agreements, whether now existing or hereafter arising, whether direct, indirect, related, unrelated, fixed, contingent, liquidated, unliquidated, joint, several, or joint and several, including, without limitation, all

fees, costs, and expenses (including attorneys' fees and expenses) provided for in such Hedging Agreements.

"Insolvency Proceeding" means the insolvency of a person, the appointment of a receiver of any part of person's property, an assignment by a person for the benefit of creditors, or the commencement of any proceeding under any bankruptcy or insolvency law by or against a person, excluding, however, any such proceeding which is involuntary and which is dismissed within sixty days of the filing thereof.

"Judgment" means a judgment, decree, or order for the payment of money.

"Laws" means, collectively, Federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

"Legal Fees" means any and all counsel, attorney, paralegal and law clerk fees and disbursements, including, but not limited to fees and disbursements at the pre-trial, trial and appellate levels incurred or paid by Lender protecting its interest in the Collateral and in enforcing its rights under the Loan Documents.

"Lender" shall have the meaning specified in the preamble of this Agreement and any other Person who becomes an assignee of any rights and obligations of Lender.

"LIBOR Rate" means, for any LIBOR Rate Interest Period, a rate of interest that is subject to change from time to time based on changes in an independent index which is the one month "London Interbank Offered Rate" (LIBOR) as published in any nationally recognized publication as determined by Lender in its reasonable discretion, including without limitation such LIBOR rate appearing on Bloomberg L.P. Page BBAM1 (Official BBA USD Dollar LIBOR Fixings) at approximately 11:00 a.m. London time on the date of determination.

"LIBOR Rate Interest Period" means the one month period specified in **Section 2.02.**

"LIBOR Rate Loan" means a Line of Credit Advance or portion thereof which bears interest calculated by reference to the LIBOR Rate as specified in **Section 2.02.**

"Lien" means any mortgage, deed of trust, pledge, security interest, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), or preference, priority, or other security agreement or preferential arrangement, charge, or encumbrance of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction to evidence any of the foregoing).

"Line of Credit Advance" shall have the meaning specified in **Section 2.01(a)**, and shall include any disbursement of a Line of Credit Advance to or for the benefit of Borrower, including any disbursement of a Line of Credit Advance to an escrow agent for purposes of an escrow closing of the Line of Credit.

"Line of Credit Advance Date" means, with respect to any Line of Credit Advance, the date that Line of Credit Advance is made.

"Loan Documents" means this Agreement, the Line of Credit Note, the Collateral Documents and all other agreements and instruments required by Lender for purposes of evidencing or securing the Line of Credit Advances, including any and all extensions, renewals, substitutions, replacements, amendments, modifications and/or restatements of any of the Loan Documents.

"Losses" means any and all claims, suits, liabilities (including, without limitation, strict liabilities), actions, proceedings, obligations, debts, damages, losses, costs, expenses, fines, penalties, charges,

fees, judgments, awards, amounts paid in settlement of whatever kind or nature (including but not limited to Legal Fees).

"Material Adverse Effect" means any set of circumstances or events which (i) has or could reasonably be expected to have any material adverse effect as to the validity or enforceability of any Loan Document or any material term or condition contained therein against the applicable Person; (ii) is or could reasonably be expected to be material and adverse to the financial condition, business assets, operations, or property of the applicable Person; or (iii) materially impairs or could reasonably be expected to materially impair the ability of the applicable Person to perform the obligations under the Loan Documents.

"Maximum Rate" means the maximum rate of interest which would not subject Lender to either civil or criminal liability or otherwise limit Lender's rights under this Agreement or the other Loan Documents as a result of being in excess of the maximum interest rate which Borrower is permitted by applicable law to contract or agree to pay. For purposes of this definition, "applicable law" means the law in effect as of the date hereof; provided, however, that in the event there is a change in the law which results in a higher permissible rate of interest, then this Agreement shall be governed by such new law as of its effective date.

"Obligations" means all obligations, indebtedness, and liabilities of Borrower to Lender arising pursuant to any of the Loan Documents, whether now existing or hereafter arising, whether direct, indirect, related, unrelated, fixed, contingent, liquidated, unliquidated, joint, several, or joint and several, including, without limitation, the obligation of Borrower to repay the Line of Credit Advances, interest on the Line of Credit Advances, and all fees, commissions, Legal Fees, costs, and expenses provided for in the Loan Documents, and all Hedging Obligations.

"Person" means an individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Prepayment" means any prepayment of the principal sum of a Line of Credit Advance in excess of the scheduled principal payment before the scheduled payment date for such amount as required by this Agreement, whether such payment occurs voluntarily or involuntarily, or by acceleration of the maturity of the indebtedness evidenced by the promissory note evidencing the Line of Credit Advance, because of default or otherwise.

"Prime Rate" means the rate of interest in effect for such day as set from time to time by Lender as its "prime rate." The "prime rate" is a rate set by Lender based upon various factors including Lender's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such set rate. Any change in such rate set by Lender shall take effect at the opening of business on the day specified by Lender of such change.

"Prime Rate Loan" means a Line of Credit Advance or portion thereof which bears interest calculated by reference to the Prime Rate.

"Rabobank International" means Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A., a foreign banking organization organized as a cooperative bank under the laws of The Netherlands.

"Real Estate" shall mean all of the real estate now or hereafter legally described in the Collateral Documents.

"Request" shall have the meaning specified in **Section 3.01**.

"Reserve Requirement" means, with respect to any LIBOR Rate Loan, a percentage (expressed as a decimal) equal to the daily average during such Interest Period of the percentages in effect on each day of such Interest Period, as prescribed by the Board of Governors of the Federal Reserve System (or any successor thereto), for determining the maximum reserve requirements applicable to "Eurocurrency Liabilities" pursuant to Regulation D of the Board of Governors of the Federal Reserve System or any other then applicable regulation of the Board of Governors which prescribes reserve requirements applicable to "Eurocurrency Liabilities" as presently defined in Regulation D.

"Subsidiary" means, as to Borrower, a corporation or limited liability Borrower, or other entity owned or Controlled, directly, or indirectly through one or more intermediaries, by Borrower.

"Uniform Commercial Code" means the Uniform Commercial Code, as adopted and enacted by the State of California.

"Value" means the value based upon Lender's independent determination of value.

Section 1.02 Accounting Matters. All accounting terms not specifically defined in this Agreement shall be construed in accordance with generally accepted accounting principles in the United States ("GAAP"), consistent with those applied in the preparation of the Financial Information, except as otherwise stated herein. Borrower shall not change the manner in which either the last day of its fiscal year or the last days of the first three fiscal quarters of its fiscal years is calculated. If Borrower has any Subsidiaries, all Financial Information to be provided under this Agreement and financial calculations for purposes of this Agreement, shall be done on a consolidated basis.

Section 1.03 Rules of Interpretation. For purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(a) the use of any gender herein shall be deemed to include the other gender;

(b) references herein to "Articles," "Sections," "Subsections," "Paragraphs," and other subdivisions without reference to a document are to designated Articles, Sections, Sections, Paragraphs and other subdivisions of this Agreement;

(c) reference to a Subsection without further reference to a Section is a reference to such Subsection as contained in the same Section in which the reference appears, and this rule shall also apply to Paragraphs and other subdivisions;

(d) the words "herein," "hereof," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular provision;

(e) the term "include" or "including" is by way of example and not limitation;

(f) the term "documents" includes any and all instruments, documents, agreements, certificates, notices, reports, financial statements and other writings, however evidenced, whether in physical or electronic form;

(g) references to agreements (including the Loan Documents) and other contractual instruments shall be deemed to include all subsequent amendments, restatements, extensions, supplements and other modifications thereto, but only to the extent that such amendments, restatements, extensions, supplements and other modifications are not prohibited by any Loan Document; and

(h) references to any Law shall include all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such Law.

ARTICLE 2 - LINE OF CREDIT

Section 2.01 Line of Credit Facility.

(a) Lender will provide a revolving line of credit facility to Borrower (the "Line of Credit") under which, upon the request of Borrower from time to time during the Line of Credit Availability Period (defined in this Article), Lender will make loans (the "Line of Credit Advances" and each a "Line of Credit Advance") in an aggregate principal amount not to exceed EIGHTY MILLION AND NO/100 DOLLARS ($80,000,000.00) (the "Line of Credit Maximum Amount").

(b) Subject to the provisions of Article 7, Line of Credit Advances shall be available during the period beginning on the Closing Date through but not including the Line of Credit Termination Date (defined in this Article), or such earlier date as the availability of the Line of Credit may be suspended or terminated as provided in this Agreement (that period, the "Line of Credit Availability Period").

(c) The Line of Credit Advances shall be evidenced by one promissory note of Borrower, in a form as provided by Lender (the "Line of Credit Note").

(d) The Line of Credit is a revolving line of credit facility. During the Line of Credit Availability Period, Borrower may repay principal amounts of the Line of Credit and re-borrow them.

Section 2.02 Interest. The Line of Credit Advances shall bear interest at a rate equal to one or more of the following optional rates, as selected by the Borrower:

(a) the Prime Rate plus 0.000% per annum, adjusted daily; or

(b) the LIBOR Rate plus 1.50%, adjusted on the first (1st) day of each calendar month (based on the LIBOR Rate in effect two Banking Days prior to the first (1st) day of each calendar month), such rate to remain fixed until the first (1st) day of the following calendar month, at which time it shall be to the then current LIBOR Rate plus 1.50% (based on the LIBOR Rate in effect two Banking Days prior to the first (1st) day of each calendar month); provided, however, that if the first (1st) day of any calendar month is not a Banking Day then the next Banking Day after the first (1st) day of any such calendar month.

Section 2.03 Required Payments.

(a) Borrower shall pay all accrued unpaid interest on Line of Credit Advances in arrears on the first (1st) day of each month.

(b) All unpaid principal and unpaid accrued interest on the Line of Credit Advances shall be paid on June 30, 2013 (the "Line of Credit Termination Date").

Section 2.04 Letters of Credit.

(a) During the Line of Credit Availability Period, at the request of the Borrower, Lender will issue one or more standby letters of credit (collectively, the "Letters of Credit") each with a maximum maturity of 365 days (excluding any automatic renewals).

(b) The aggregate amount of the Letters of Credit outstanding at any one time (including the drawn and unreimbursed amounts of the Letters of Credit) may not exceed ONE MILLION AND NO/100 DOLLARS ($1,000,000.00).

(c) In calculating the principal amount outstanding under the Line of Credit, the calculation shall include the amount of the Letters of Credit outstanding, including amounts drawn on the Letters of Credit and not yet reimbursed.

(d) The Borrower agrees:

(i) Any sum drawn under the Letters of Credit may, at the option of Lender, be added to the principal amount outstanding under the Line of Credit. The amount will bear interest and be due as described elsewhere in this Agreement.

(ii) If there is an Event of Default under this Agreement, to immediately prepay and make Lender whole for any outstanding letters of credit.

(iii) The issuance of the Letters of Credit and any amendment to the Letters of Credit is subject to Lender's written approval and must be in form and content satisfactory to Lender and in favor of a beneficiary acceptable to Lender.

(iv) To sign Lender's form application and agreement for standby letter of credit.

(v) To pay any issuance and/or other fees that Lender notifies the Borrower will be charged for issuing and processing letters of credit for the Borrower.

(vi) To allow Lender to automatically charge the Designated Account for applicable fees, discounts, and other charges.

(vii) To pay Lender a non-refundable fee equal to 1.5% per annum of the outstanding undrawn amount of the Letters of Credit, payable in advance, calculated on the basis of the face amount outstanding on the day the fee is calculated. If there is an Event of Default under this Agreement, at Lender's option, the amount of the fee shall be increased to 6.5% per annum, effective starting on the day Lender provides notice of the increase to the Borrower.

Section 2.05 Mandatory Repayments. If at any time the unpaid principal balance of the Line of Credit exceeds the Line of Credit Maximum Amount, including as a result of Section 2.06, then, no later than five (5) days after demand by Lender, Borrower shall repay that portion of the principal balance thereof in excess of the Line of Credit Maximum Amount, along with all unpaid accrued interest on that portion.

Section 2.06 Additional Collateral; Reduction in Line of Credit Maximum Amount.

(a) Prior to April 15, 2009, the Borrower shall provide Lender with additional real estate as Collateral (the "Additional Real Estate") and Borrower shall satisfy all of the following in relation to the Additional Real Estate:

(i) Borrower shall provide Lender an executed deed of trust in form and substance acceptable to Lender (the "Additional Deed of Trust");

(ii) Borrower shall provide a CLTA lender's title insurance policy effective as of a date no earlier than the date and time of recording of the Additional Deed of Trust, which insures the priority Lien position in favor of Lender and includes any endorsements as may be required by Lender (the "Additional Title Policy");

(iii) Borrower shall have completed an environmental questionnaire for the Additional Real Estate;

(iv) Borrower shall provide Lender evidence of a source of water on the Additional Real Estate sufficient for Borrower's operations;

(v) Lender shall have received an appraisal of the Additional Real Estate at the expense of the Borrower and in form and substance satisfactory to Lender in Lender's sole discretion;

(vi) Borrower shall provide Lender evidence of insurance coverage on the Additional Real Estate, as required by this Agreement or any other Loan Document;

(vii) Borrower shall provide Lender evidence that all required licenses, permits or other documentation from any Governmental Authority for the Borrower's operations and business on the Additional Real Estate have been received; and

(viii) Borrower shall provide Lender with any other evidence or documentation related to the Additional Real Estate as Lender may reasonably require.

(b) On April 15, 2009, Lender shall reduce the Line of Credit Maximum Amount to the greater of (i) $69,900,000.00 or (ii) $69,900,000.00 plus 60% of the appraised value of any Additional Real Estate that has satisfied all of the terms and conditions of Section 2.06(a); provided, however, that at no time shall the Line of Credit Maximum Amount exceed $80,000,000.00. Borrower shall be required to make any mandatory repayments required by Section 2.05 as a result of any reduction in the Line of Credit Maximum Amount. Once reduced in accordance with this Section 2.06, the Line of Credit Maximum Amount may not be increased.

ARTICLE 3 - GENERAL PROVISIONS

Section 3.01 Requests

(a) All requests for a Line of Credit Advance (a "Request") shall be subject to the following:

(i) there shall have occurred no Event of Default or event which with the passage of time or the giving of notice to Borrower would constitute an Event of Default;

(ii) Unless the Lender proceeds under (b) below Requests shall be in writing complying the requirements of **Section 14.12**;

(iii) each Request shall specify: (A) the date Borrower requests the Line of Credit Advance; (B) the amount of the Line of Credit Advance; and (C) the rate to be applicable to the Line of Credit Advance;

(iv) unless utilizing the Line of Credit in full, each Request for a new Line of Credit Advance shall be in an amount not less than $10,000.00;

(v) Requests shall be received by Lender not later than 12:00 noon (Pacific time) on the date on which the requested action is to be taken.

(b) Borrower requests Lender to rely upon and honor telephonic, telefax, or email instructions for advances or repayments or for the designation of optional interest rates, given, or purported to be given, by any one of the individuals authorized in writing to sign the Loan Documents, on behalf of Borrower, or any other individual designated in writing by any one of such authorized signers. Lender shall incur no liability for its acts or omissions which result from interruption of communications, misunderstood communications or instructions from unauthorized persons, unless caused by the gross negligence or willful misconduct of Lender or its officers or employees. BORROWER AGREES TO PROTECT LENDER AND HOLD IT HARMLESS FROM ANY AND ALL LOSS, DAMAGE, CLAIM, EXPENSE (INCLUDING LEGAL FEES) OR INCONVENIENCE, HOWEVER ARISING, WHICH LENDER SUFFERS OR INCURS OR MIGHT SUFFER OR INCUR, BASED ON OR ARISING OUT OF SAID ACTS OR OMISSIONS. Borrower agrees to promptly review all confirmations, if any, sent to Borrower by Lender. Borrower understands that these confirmations are not legal contracts but only evidence of the valid and binding oral contract which Borrower has already entered into with Lender. In the event of a conflict, inconsistency or ambiguity between the provisions of this Agreement and the provisions of any such confirmation, the provisions of this Agreement will prevail.

(c) Borrower may from time to time convert all or part of any Line of Credit Advance bearing another optional rate of interest (a "Rate Conversion"), subject to the following: (a) Lender shall receive Borrower's request for a Rate Conversion (a "Rate Request") delivered to Lender before 12:00 noon (Pacific time) at least one Banking Day prior to the effective date, specifying the amount of the Line of Credit Advance subject to the Rate Conversion and the rate to be applicable to the Line of Credit Advance; (b) a Rate Conversion of a LIBOR Rate Loan may take place only on the last day of the respective Interest Period; (c) except for Rate Conversions into Prime Rate Loans, no Rate Conversions will be made while an Event of Default exists or if the interest rate for that Line of Credit Advance would exceed the Maximum Rate, and (d) each LIBOR Rate Loan shall be not less than $10,000.00. Rate Requests shall be irrevocable.

Section 3.02 Interest.

(a) Interest shall be calculated by Lender on the basis of a 360 day year and the actual number of days (including the first day but excluding the last day) elapsed.

(b) Subject to the provisions of **Section 3.02(f)**, there is no limit on the amount that the rate of interest on the Line of Credit Advances may increase or decrease at any one time, or in the aggregate throughout the term of the Line of Credit.

(c) At Lender's sole option in each instance, subject to the provisions of **Section 3.02(f)**, any sum (including, without limitation, principal, interest, principal and interest combined, fees, costs, or expenses) required to be paid to Lender under the terms and conditions of the Loan Documents and not paid when due shall bear interest at the Default Rate from the date due.

(d) Upon the occurrence of an Event of Default, at Lender's sole option in each instance, all principal and, to the extent permitted by applicable law, any interest, fees and other amounts owing hereunder, shall bear interest, from the date of such Event of Default until the date Lender, in

writing, acknowledges that such Event of Default is waived or cured or all Obligations are paid in full, at the Default Rate. Interest payable at the Default Rate shall be payable from time to time on demand or, if not sooner demanded, on the first day of each month.

(e) Subject to the provisions of **Section 3.02(f)**, and unless otherwise prohibited by applicable law, Lender may charge interest on interest if and to the extent permitted under the provisions of this Agreement or the other Loan Documents.

(f) At no time shall Borrower be obligated or required to pay interest at a rate that exceeds the Maximum Rate. If Borrower is at any time required or obligated to pay interest on the principal balance due under the Loan Documents at a rate in excess of the Maximum Rate, the applicable rate shall be deemed to be immediately reduced to the Maximum Rate and all previous payments in excess of the Maximum Rate shall be deemed to have been payments in reduction of principal, without prepayment premium or penalty, and not on account of the interest due hereunder. All sums paid or agreed to be paid to Lender for the use, forbearance, or detention of Borrower's indebtedness to Lender under this Agreement and the other Loan Documents shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full stated term of the Line of Credit until payment in full so that the rate or amount of interest on account of such indebtedness does not exceed the Maximum Rate for so long as the indebtedness is outstanding.

(g) The LIBOR Rate is not necessarily the lowest rate charged by Lender on its loans. If the LIBOR Rate becomes unavailable prior to the Line of Credit Termination Date, then any LIBOR Rate Loan shall automatically be converted into a Loan bearing interest at the applicable Prime Rate on the last day of the then current LIBOR Rate Interest Period. Lender will tell Borrower the current LIBOR Rate upon Borrower's request.

Section 3.03 <u>Disbursements and Payments</u>

(a) Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of Borrower resulting from each Line of Credit Advance made from time to time hereunder and the amounts of principal, interest and other charges payable and paid from time to time hereunder. In any legal action or proceeding in respect of this Agreement, the entries made in such account or accounts shall be *prima fascie* evidence of the existence and amounts of the obligations of Borrower therein recorded.

(b) So long as any Obligations shall remain unpaid, Borrower will maintain the Designated Account in good standing. All Line of Credit Advances will be deposited in the Designated Account. BORROWER HEREBY GRANTS TO LENDER A SECURITY INTEREST IN THE DESIGNATED ACCOUNT AND IN ANY OTHER ACCOUNTS FROM WHICH BORROWER MAY FROM TIME TO TIME AUTHORIZE LENDER TO DISBURSE THE PROCEEDS OF OR DEBIT PAYMENTS DUE ON ALL LINE OF CREDIT ADVANCES.

(c) Borrower agrees that, Lender may, at its option, debit the Designated Account, on the due date, for all interest and principal payments, any fees and expenses, and any other amounts to be paid by Borrower under the Loan Documents (hereafter, "<u>Direct Debit Payments</u>"). Lender shall give Borrower not less than ten (10) days notice before beginning Direct Debit Payments. If Lender elects to initiate Direct Debit Payments, Borrower will thereafter maintain sufficient funds in the Designated Account on the dates Lender enters debits for Direct Debit Payments. If there are insufficient funds in the Designated Account on the date Lender enters any debit authorized by this Agreement, Lender may reverse the debit. Borrower agrees to execute and deliver to Lender any standard form, if any, required by Lender, confirming the terms of this **Section 3.03**.

(d) To the extent permitted by applicable law, all payments to Lender will be applied to pay the Obligations in such order of priority as determined by Lender, in its sole discretion. The early or late date of making a monthly payment will be disregarded for purposes of allocating the payment between principal and interest. For this purpose, the payment will be treated as though made on the date due.

Section 3.04 Prepayments. Payments may be made without prepayment premium or penalty, except that, at the option of Lender, all Prepayments shall be accompanied by accrued interest to the date of such prepayment on the amount prepaid.

ARTICLE 4 - PROMISE TO PAY

Section 4.01 Promise to Pay Borrower promises and agrees to pay to Lender in full the aggregate principal amount of all Line of Credit Advances and all accrued interest thereon, and all fees, expenses, and other amounts due and payable under this Agreement, in accordance with the terms and conditions of this Agreement.

ARTICLE 5 – COLLATERAL

Section 5.01 Collateral. The Obligations shall be secured by a perfected first priority lien and/or security interest (subject only to Permitted Liens (defined in **Section 10.02**) entitled to priority under applicable law) in Borrower's interest in the following, whether now owned or hereafter acquired, pursuant to the terms of the Collateral Documents: (a) the Real Estate; (b) all fixtures, and all other equipment and machinery used in the operation of the Real Estate; (c) all "Personalty" (as that term is defined in the Collateral Documents); (d) accessions, attachments and other additions to the Collateral, and all tools, parts and equipment used in connection with the Collateral; (e) substitutes or replacements for any Collateral; (f) all proceeds, products, rents and profits of any Collateral; (g) all rights under warranties and insurance contracts covering the Collateral; (h) any causes of action relating to the Collateral; and (i) books and records pertaining to any Collateral, including but not limited to any computer-readable memory and any computer hardware or software necessary to process such memory (the property described in this **Section 5.01**, together with Borrower's interest in any other real or personal property granted or assigned to Lender as security for all or a portion of the Obligations is herein referred to as the "Collateral").

ARTICLE 6 – CLOSING CONDITIONS

Section 6.01 Closing Requirements. The obligations of the Lender to make the initial Line of Credit Advance shall be subject to the satisfaction of the following in a form and in substance satisfactory to Lender:

(a) Governing Documents; Evidence of Good Standing; Authorizations. If Borrower is anything other than a natural person: (i) evidence acceptable to Lender that it is duly organized and existing in its state of organization and is in good standing in each state in which it conducts its business; (ii) copies of all its formation and governing documents; and (iii) evidence acceptable to Lender that the execution, delivery and performance of each Loan Document to which it is a party, is within its powers and has been duly authorized.

(b) Line of Credit Note. Signed original Amended and Restated Line of Credit Note.

(c) Deed of Trust. Signed and acknowledged original deeds of trust, security agreements and assignments of lessor's interest in leases and rents, as required by Lender, encumbering the Real Estate and granting Lender a Lien upon and security interest in the Collateral associated therewith (collectively, the "Deed of Trust").

(d) Title Insurance. A CLTA lender's title insurance policy effective as of a date no earlier than the date and time of recording of the Deed of Trust, with endorsements as required by Lender (the "Title Policy").

(e) Environmental Information. A completed Borrower environmental questionnaire (the "Environmental Information").

(f) Water Rights. Evidence of a source of water sufficient for Borrower's operations.

(g) Appraisal. Appraisals of the Real Estate (the "Appraisal") showing a combined market value of not less than $116,500,000.00, and otherwise acceptable to Lender.

(h) Insurance. Evidence of insurance coverage, as required by this Agreement or any other Loan Document.

(i) Permits/Approvals. Evidence that all required licenses, permits or other Governmental Authority for the Borrower's operations and business have been received.

(j) Payment of Fees. Payment of all fees and other amounts due and owing to Lender.

(k) Opinion of Borrower's Counsel. An opinion of Borrower's counsel in form and substance satisfactory to Lender.

(l) Other. Such other documents and information as Lender may request.

Section 6.02 Representations and Warranties. The following statements shall be true and the receipt by Borrower of the proceeds of any Line of Credit Advance shall be deemed to constitute a representation and warranty by Borrower that such statements are true on that date:

(a) the representations and warranties contained in this Agreement and in other Loan Documents are correct on and as of the date of such Line of Credit Advance as though made on and as of such date;

(b) no Event of Default or event which, with the passage of time or the giving of notice would constitute an Event of Default, has occurred or would result from the Line of Credit Advance;

(c) there has been no change in the financial condition, business, properties, or results of operations of Borrower that would have a Material Adverse Effect as to such Person; and

(d) there has been no change in the management or the ownership structure of Borrower that would have a Material Adverse Effect as to such Person.

ARTICLE 7 - CONDITIONS TO LINE OF CREDIT ADVANCES

The Lender's obligation to make each Line of Credit Advance shall be subject to the further conditions precedent that on the Drawdown Date:

Section 7.01 Representations and Warranties. The following statements shall be true (and Borrower shall be deemed to warrant and represent to Lender that such statements are true) on such date:

(a) the representations and warranties contained in this Agreement and in other Loan Documents are correct as though made on that date;

(b) no Event of Default or event which, with the passage of time or the giving of notice would constitute an Event of Default, has occurred and remains uncured or would result from the additional Line of Credit Advance;

(c) there has been no change in the financial condition of Borrower since the effective date of this Agreement, that would have a Material Adverse Effect on Borrower;

(d) the unpaid principal amount of all outstanding Line of Credit Advances, together with the amount of any such additional Line of Credit Advance does not exceed the respective Line of Credit Maximum Amount;

Section 7.02 Other Approvals, Opinions and Documents. Lender shall have received such other approvals, opinions, or documents as Lender may request in writing, including, without limitation:

(a) a Request or Rate Request meeting the requirements of **Section 3.01(a)** and (c), respectively;

(b) such other documents and information as Lender may require.

ARTICLE 8 - REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants to Lender that:

Section 8.01 Formation; Existence, Etc. If Borrower is anything other than a natural person, it has complied with all applicable laws concerning its organization, existence and the transaction of its business, and is in existence and good standing in its state of organization and each state in which it conducts its business. The execution, delivery and performance by Borrower of each Loan Document to which it is a party, is within Borrower's powers and authority and has been duly authorized.

Section 8.02 No Conflicts. To Borrower's knowledge, the Loan Documents do not conflict with any applicable law.

Section 8.03 Enforceable Agreement. This Agreement is a legal, valid and binding agreement of Borrower, enforceable against Borrower in accordance with its terms, and any instrument or agreement required hereunder, when executed and delivered, will be similarly legal, valid, binding and enforceable.

Section 8.04 Financial Information. The financial and other information supplied to Lender in connection with this Agreement is complete and accurate in all material respects as to the financial condition of Borrower (and, if applicable, any of its partners, shareholders, members, or other principals), including, without limitation, all material contingent liabilities. Since the date of such financial information provided to Lender, there has been no Material Adverse Effect as to Borrower. (The financial and other information supplied or to be supplied to Lender in connection with this Agreement is herein referred to as the "Financial Information.")

Section 8.05 Lawsuits. There is no lawsuit, tax claim or other dispute pending or to Borrower's knowledge threatened against Borrower that, if determined adverse to Borrower, is reasonably likely to have a Material Adverse Effect.

Section 8.06 No Judgments or Orders. Borrower is not the subject of any judgment, writ, injunction, decree, or rule of any court, arbitrator, or Governmental Authority.

Section 8.07 Other Indebtedness. This Agreement does not conflict with, nor is Borrower in default on any credit agreement, indenture, purchase agreement, guaranty, Capital Lease, or other investment, agreement, or arrangement presently in effect providing for or relating to extensions of credit in respect of which Borrower is in any manner directly or contingently obligated.

Section 8.08 Taxes. Borrower has filed all tax returns (federal, state, and local) required to be filed and have paid all taxes, assessments, and governmental charges and levies thereon to be due, including interest and penalties.

Section 8.09 Ownership and Liens. Borrower and each other Person which is a party to any Collateral Document have title to, or (in the case of leased property) valid leasehold interests in, all of their properties and assets, real and personal, including the properties and assets and leasehold interests reflected in the Financial Information (other than any properties or assets disposed of in the ordinary course of business), and none of the Collateral is subject to any Lien, offset or claim.

Section 8.10 Hazardous Substances. Before signing this Agreement, Borrower researched, to the satisfaction of Borrower, and inquired into the previous uses and ownership of the Real Estate. Based on that due diligence, to the best of Borrower's knowledge, no Hazardous Substance has been disposed of or released or otherwise exists in, on, under or onto the Real Estate, except as Borrower has disclosed to Lender in the Environmental Information.

Section 8.11 Compliance With Law. Borrower is in compliance with all applicable laws (including, without limitation, all Environmental Laws). Borrower has not received any notices of violations of any applicable laws. There are no claims, actions, proceedings or investigations pending or threatened against Borrower or affecting the Collateral with respect to any violations of applicable laws.

Section 8.12 **Borrower Not a "Foreign Person".** Borrower is not a "foreign person" within the meaning of Section 1445 of the Internal Revenue Code of 1986, as amended from time to time, and the regulations issued there under from time to time, and published interpretations thereof.

Section 8.13 **No Event of Default.** There is no event which is, or with notice or lapse of time or both would be, an Event of Default.

ARTICLE 9 - AFFIRMATIVE COVENANTS

So long as any Obligations shall remain unpaid or Lender has any obligation to make Line of Credit Advances, Borrower shall:

Section 9.01 **Use of Proceeds.** The Line of Credit Advances shall be used for purposes of refinancing existing debt, financing future real estate transactions and other investments and for general working capital needs associated with Borrower's agricultural operations; and no portion of the Line of Credit Advances shall be used for personal, family, or household purposes.

Section 9.02 **Financial Reporting Requirements.** Provide the following:

(a) Annual Financial Statements. Within 120 days after the end of each fiscal year, Borrower's annual financial statements in a form acceptable to Lender audited by a CPA, along with any notes and a copy of the CPA's letter to each.

(b) Quarterly Financial Statements. Within 45 days after the last day of January, April, July and October of each year, Borrower's quarterly financial statement in a form acceptable to Lender. These financial statements may be internally prepared.

(c) Annual Property Operating Statement. Within 120 days after the end of each fiscal year, Borrower's financial statements in a form acceptable to Lender relating to each separate and distinct portion of the Real Estate. These financial statements may be internally prepared.

(d) Annual Compliance Certificate. Along with the "Annual Financial Statements" to be provided in accordance with Section 9.02(a) above, a Compliance Certificate, in the form as set forth on **Exhibit "A"** attached hereto and incorporated herein by this reference.

(e) Additional Information. Such other reports, records or other information respecting the condition or operations, financial or otherwise, of Borrower or any Subsidiary, as Lender may from time to time request.

Section 9.03 **Books and Records.** Maintain adequate books and records.

Section 9.04 **Notices.** Within five days notify Lender in writing of: (a) any lawsuit, tax claim or other dispute pending or threatened against Borrower in an amount greater than $100,000; (b) any substantial dispute between Borrower and any Governmental Authority; (c) any failure by Borrower to comply with this Agreement; (d) any Material Adverse Effect as to Borrower; (e) any change in Borrower's name, legal structure, place of business, or chief executive office or (f) if Borrower knows, suspects or believes there may be any Hazardous Substance in or around the Real Estate, or in the soil, groundwater or soil vapor on or under the Real Estate, or that Borrower or the Real Estate may be subject to any threatened or pending investigation by any Governmental Authority under any applicable law pertaining to any Hazardous Substance.

Section 9.05 **Inspections and Audits.** Allow Lender and its agents to (a) inspect the Collateral (including, without limitation, taking and removing environmental samples, and conducting tests on any part of the Real Estate); (b) appraise and periodically reappraise all or any portion of the Collateral; and (c) examine, audit and make copies of books and records at any reasonable time. If any of the Collateral or Borrower's books or records are in the possession of a third party, Borrower authorizes that third party to permit Lender or its agents to have access to perform inspections or audits and to respond to Lender's requests for information concerning such properties, books and records. In connection with the foregoing, Lender has no duty to inspect or conduct appraisals of Borrower's properties or to examine, audit or copy books and records and Lender shall not incur any obligation or liability by reason of not making any such inspection, appraisal or inquiry. In the event that Lender

inspects or appraises Borrower's properties or examines, audits or copies books and records, Lender will be acting solely for the purposes of protecting Lender's security and preserving Lender's rights under this Agreement.

Section 9.06 Maintenance of Existence. If Borrower is anything other than a natural person, preserve and maintain, and cause each Subsidiary to preserve and maintain, its existence in the jurisdiction of its formation, and qualify and remain qualified, and cause each Subsidiary to qualify and remain qualified to conduct its business in each jurisdiction in which such qualification is required.

Section 9.07 Maintenance and Repair. Make any repairs, renewals, or replacements to keep the Collateral, in good condition and repair, and to pay when due all claims for labor performed and materials furnished therefore in connection with any improvements or construction activities.

Section 9.08 Maintenance of Insurance. Maintain, and cause to be maintained policies of insurance as required by Lender, including (a) public liability insurance; (b) all risk property damage insurance policies covering tangible property comprising the Collateral for the full insurable value on a replacement cost basis; (c) general business insurance as is usual for the business of Borrower; (d) workers' compensation insurance as required by law; (d) flood insurance (if the Real Estate is situated in a designated flood hazard area or becomes situated in a designated flood hazard area after the date of this Agreement as a result of any re-mapping of flood insurance maps by the Federal Emergency Management Agency); and (e) such additional insurance as required by Lender from time to time. Lender shall be named as a mortgagee and loss payee under the coverage described in clauses (b) and (c) above, and named as an additional insured under the coverage described in clause (a) above. All policies of insurance must be issued by companies approved by Lender and must be acceptable to Lender as to amounts, forms, risk coverages, deductibles, expiration dates, and loss payable and cancellation provisions. In addition, each required policy must contain such endorsements as Lender may require and must provide that all proceeds be payable to Lender to the extent of its interest. If Borrower fails to keep any required coverage in effect while the Loan is outstanding, Lender may (but shall not be obligated to) procure the coverage at Borrower's expense. Borrower shall reimburse Lender, on demand, for all premiums advanced by Lender, which advances are considered to be additional loans to Borrower secured by the Collateral.

Section 9.09 Major Subsidiaries. Cause any Subsidiary which, as of the date of this Agreement or in the future (a) generates greater than 15% of total EBITDA generated by Borrower and its Subsidiaries, on a consolidated basis, or (b) owns greater than 15% of the assets of Borrower and its Subsidiaries, on a consolidated basis, to, at the option of Lender, become a co-borrower under the terms of this Agreement or guaranty the payment of all of the Obligations, pursuant to such instruments and agreements required by Lender.

Section 9.10 Compliance With Laws. Comply, and cause any Subsidiary and all occupants of the Collateral, to comply with all applicable laws (including, without limitation, all Environmental Laws (defined **Section 1.01**). Material compliance with the provisions of this **Section 9.10** shall include, without limitation, paying before the same become delinquent all taxes, assessments, and governmental charges imposed upon Borrower or any Subsidiary or any of its respective properties.

Section 9.11 Hazardous Substances. Promptly, at Borrower's sole cost and expense, take all reasonable actions with respect to any Hazardous Substances or other environmental condition at, on, or under the Real Estate necessary to (a) comply in all material respects with all applicable Environmental Laws; (b) allow continued use, occupation or operation of the Real Estate; or (c) maintain the fair market value of the Real Estate. Borrower acknowledges that Hazardous Substances may permanently and materially impair the value and use of the Real Estate.

Section 9.12 Performance of Acts. Upon request by Lender, perform all acts which may be necessary or advisable to perfect any Lien provided for in this Agreement or the Collateral Documents, or to carry out the intent of this Agreement or the other Loan Documents.

Section 9.13 Credit Report. Borrower authorizes Lender to order a credit report and verify all other credit information, including past and present loans and standard references from time to time to evaluate the creditworthiness of Borrower. It is understood that a photocopy of the consent for release of

information, general authorization or similar document on file with Lender, if any, shall serve as the authorization to provide the information requested from time to time.

Section 9.14 Hedging Obligations. Promptly upon demand pay or cause to be paid to Lender, any sums due and owing to Rabobank International or any other Affiliate of Lender under any indemnification, hold harmless agreement, reimbursement agreement, risk allocation agreement, or other instrument or agreement under which Lender agrees to pay or to reimburse Rabobank International or such affiliate for any losses it incurs as a result of nonpayment of Hedging Obligations due and owing by the Borrower to Rabobank International or such other Affiliate.

ARTICLE 10 - NEGATIVE COVENANTS

So long as any Obligations shall remain unpaid or Lender has any obligation to make Line of Credit Advances, Borrower shall not, without the prior written consent of Lender:

Section 10.01 Other Debt. Have outstanding or incur or permit any Subsidiary to have outstanding or incur any Debt; provided, that this **Section 10.01** shall be deemed to not prohibit: Debt disclosed on **Schedule 10.01** attached hereto and incorporated herein by this reference; acquiring goods, supplies or merchandise on normal trade credit; obtaining surety bonds in the usual course of business; and Hedging Obligations to Rabobank International.

Section 10.02 Liens. Create, assume or allow (or permit any Subsidiary to create, assume or allow) any Lien (including judicial liens) in, or offset or claim against any real or personal property Borrower or any Subsidiary now or later owns, except: the Liens created under the Collateral Documents and other deeds of trust and security agreements in favor of Lender; Liens and other exceptions to title to the Real Estate appearing as exceptions to the Title Policy approved by Lender; Liens for taxes not yet due; Liens, offsets and claims disclosed on **Schedule 10.02** attached hereto and incorporated herein by this reference; and additional purchase money security interests in equipment acquired after the date of this Agreement (those Liens permitted under this **Section 10.02**, the "Permitted Liens").

Section 10.03 Loans to Others. Guaranty the obligations of any Person.

Section 10.04 Change of Management. Make any substantial change in the present executive or management personnel of Borrower.

Section 10.05 Changes in Business. Engage in or permit any Subsidiary to engage in any business activities substantially different from Borrower's or any Subsidiary's present business; recapitalize or reclassify any of the Borrower's capital stock; liquidate or dissolve Borrower's or any Subsidiary's business; enter into or permit any Subsidiary to enter into any consolidation, merger, or other combination; acquire all or substantially all of the assets or any stock of any corporation or other entity; or become or permit any Subsidiary to become a partner in a partnership, a member of a joint venture or a member of a limited liability Borrower.

Section 10.06 Accounting System. Make any material change or modification of Borrower's manner and method of accounting except as required by GAAP.

Section 10.07 Sale or Encumbrance of Assets. Sell, assign, lease, transfer, or otherwise dispose of the Collateral or any of Borrower's interest in its real or personal property or other assets, or permit the sale, assignment, lease, transfer, or other disposition of any Subsidiary's real or personal property or assets, except in the ordinary course of Borrower's business.

Section 10.08 Acquisitions. Acquire or purchase or permit any Subsidiary to acquire or purchase a business or its assets.

Section 10.09 Transactions with Affiliates. Enter into any transaction of any kind with any Affiliate of Borrower, whether or not in the ordinary course of business, other than on fair and reasonable terms substantially as favorable to Borrower or any Subsidiary as would be obtainable by any Borrower or any Subsidiary at the time in a comparable arm's length transaction with a Person other than an Affiliate.

ARTICLE 11 - FINANCIAL COVENANTS

So long as any Obligations shall remain unpaid or Lender has any obligation to make Line of Credit Advances, Borrower shall:

Section 11.01 Debt Service Coverage Ratio. Maintain a Debt Service Coverage Ratio of not less than 1.25 to 1.0 (on an annual basis), measured as of Borrower's fiscal year end for the year 2008 and each fiscal year thereafter based on the financial statements provided in accordance with Section 9.02(a).

ARTICLE 12 - EVENTS OF DEFAULT AND REMEDIES

Section 12.01 Events of Default. The occurrence of any of the following shall constitute an event of default under this Agreement (an "Event of Default"):

(a) the Financial Information or any representation or warranty or contained in the Loan Documents proves to be substantially incorrect or materially misleading;

(b) Borrower fails to make any payment of principal or interest on the Line of Credit Advances, or fails to make any other payment required under the Loan Documents or any Hedging Agreement when due;

(c) Borrower does not (i) pay (or cause payment of) all real estate taxes assessed on the Collateral prior to the date when delinquent; (ii) maintain all policies of insurance required under the Loan Documents and pay (or cause payment of) all premiums for such insurance on or prior to the date when due; and (iii) maintain the Collateral (or cause the Collateral to be maintained) in good condition and repair, all in accordance with the terms and conditions of the Deed of Trust;

(d) one or more Judgments not covered by applicable insurance in excess of $250,000.00 in the aggregate is rendered against Borrower and such Judgments continue unsatisfied and in effect for a period of 30 consecutive days without being stayed or bonded pending appeal;

(e) any federal tax lien is filed against Borrower or the Collateral and same is not discharged of record within thirty (30) days after same is filed;

(f) any Insolvency Proceeding is initiated by Borrower or any Insolvency Proceeding initiated against Borrower by another Person is not discharged within 60 days after filing;

(g) the violation of any covenant prohibiting the sale or encumbrance of assets;

(h) any "Event of Default" as that term is defined in any of the Loan Documents other than this Agreement, or any other default in the payment or performance of a term or condition of those other Loan Documents which is not cured within any applicable cure or grace period, if any, contained therein;

(i) any Material Adverse Effect as to Borrower;

(j) for more than ten (10) days after notice from Lender, Borrower shall continue to be in non-compliance with any financial reporting requirement or financial covenant under the terms of this Agreement; or

(k) if for more than ten (10) days after notice from Lender, Borrower shall continue to be in default under any term, covenant or condition of this Agreement not previously described in this **Section 12.01**, which can be cured by the payment of a sum of money; or

(l) for 30 days after notice from Lender, Borrower shall continue to be in default under any term, covenant or condition of this Agreement not previously described in this **Section 12.01**, set forth above; provided that if such default cannot reasonably be cured within such 30 day period and Borrower shall have commenced to cure such default within such 30 day period and thereafter diligently and expeditiously proceeds to cure the same, such 30 day period shall be extended for so long as it shall require Borrower in the exercise of due diligence to cure such default, up to a maximum of 90 days.

Section 12.02 Remedies. Upon the occurrence of an Event of Default, Lender may:

(a) without notice to Borrower, declare any obligation of Lender to make Line of Credit Advances to be terminated or suspended, whereupon the same shall forthwith terminate or suspend;

(b) declare the Obligations to be forthwith due and payable, whereupon the Obligations shall become and be forthwith due and payable, without presentment, notice of intent to accelerate or notice of acceleration, demand, protest or further notice of any kind, all of which are hereby expressly waived by Borrower, except as expressly provided herein or in any other Loan Document; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to Borrower or any of its Subsidiaries under the Federal Bankruptcy Code, (i) any obligation of Lender to make Line of Credit Advances shall automatically be terminated and (ii) the Obligations shall automatically become due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by Borrower; and

(c) exercise all other rights and remedies afforded to Lender under the Loan Documents or by applicable law or equity and apply all proceeds received by Lender from the sale or other liquidation of the Collateral when an Event of Default exists to the Obligations in any order specified by Lender.

ARTICLE 13 - EXPENSES

Section 13.01 Expenses. Borrower shall pay on demand all reasonable out of pocket costs and expenses incurred by Lender in connection with the making, administration or enforcement of the Line of Credit Advances, including, without limitation, the following:

(a) Real Estate title examination and the Title Policy (including endorsements)

(b) Legal Fees and expenses incurred in connection with the preparation of the Loan Documents and the Closing;

(c) search filing fees in connection with the perfection of Lender's security interests under the Uniform Commercial Code;

(d) taxes and fees payable or determined to be payable in connection with the execution, delivery, filing, and recording of any of the Loan Documents

(e) any inspections or the investigation of any alleged default and/or the preservation or enforcement of any rights of Lender; and

(f) enforcement of the Loan Documents, whether by negotiation, legal proceedings, or otherwise, including, without limitation, in the context of any bankruptcy proceedings.

Section 13.02 Indemnity for Expenses. BORROWER AGREES TO HOLD LENDER HARMLESS FROM AND AGAINST ANY AND ALL LIABILITIES WITH RESPECT FROM ANY DELAY IN PAYING OR OMISSION TO PAY ANY AND ALL STAMP AND OTHER TAXES AND FEES PAYABLE OR DETERMINED TO BE PAYABLE IN CONNECTION WITH THE EXECUTION, DELIVERY, FILING, AND RECORDING OF ANY OF THE LOAN DOCUMENTS, AND SUCH TAXES AND FEES.

Section 13.03 Survival. Borrower's obligations to Lender under this Section 13.03 shall survive termination of this Agreement and repayment of Borrower's obligations to Lender under this Agreement, and shall also survive as unsecured obligations after any acquisition by Lender of the Collateral or any part of it by foreclosure or any other means.

ARTICLE 14 - MISCELLANEOUS

Section 14.01 References to Credit Agreement. From and after the Closing Date: each reference in the Line of Credit Note, the Collateral Documents or any other Loan Documents to the Credit Agreement shall mean and be a reference to this Credit Agreement, as it may hereafter be amended, modified or restated.

Section 14.02 Inspections and Reports. No site visit, observation or testing or any report or findings made as a result thereof (a) will result in a waiver of any default of Borrower; or (b) be a representation or warranty of any kind regarding the Collateral or Borrower's business or financial condition. Neither Borrower nor any other Person is entitled to rely on any inspection or other inquiry of or appraisal by Lender. Borrower further understands and agrees that any appraisal, report or other information regarding a site visit, observation or testing that is disclosed to Borrower by Lender or its agents and representatives is to be evaluated (including any reporting or other disclosure obligations of Borrower) by Borrower without advice or assistance from Lender. Lender owes no duty of care to protect Borrower or any other Person against, or to inform Borrower or any other Person of, any adverse condition that may be observed as affecting Borrower's properties or premises, or Borrower's business. Lender may in its reasonable discretion disclose any report, appraisal, or other information regarding a site visit, observation or testing as a result of, or in connection with, any inspection of Borrower's properties, to any other Person (including, without limitation, any Governmental Authority).

Section 14.03 Indemnity. BORROWER HEREBY INDEMNIFIES AND HOLDS LENDER AND RABOBANK INTERNATIONAL HARMLESS FROM AND AGAINST AND SHALL REIMBURSE LENDER AND RABOBANK INTERNATIONAL WITH RESPECT TO ANY AND ALL CLAIMS, DEMANDS, CAUSES OF ACTION, LOSS, DAMAGE, LIABILITIES, COSTS AND EXPENSES (INCLUDING LEGAL FEES AND COURT COSTS) OF ANY AND EVERY KIND OF CHARACTER, KNOWN OR UNKNOWN, FIXED OR CONTINGENT BY REASON OF OR ARISING OUT OF (A) THE MATERIAL BREACH OF ANY REPRESENTATION OR WARRANTY BY BORROWER TO LENDER MADE IN CONNECTION WITH THE LOAN OR TO RABOBANK INTERNATIONAL MADE IN CONNECTION WITH ANY HEDGING AGREEMENT; (B) THE FAILURE OF BORROWER TO PERFORM ITS OBLIGATIONS IN THIS AGREEMENT OR ANY LOAN DOCUMENT TO WHICH IT IS A PARTY; (C) THE OWNERSHIP, OPERATION, OR USE OF THE COLLATERAL; OR (D) THE PRESENCE, AT ANY TIME, OF ANY HAZARDOUS SUBSTANCE IN OR AROUND ANY PART OF THE REAL ESTATE (COLLECTIVELY, AN "**INDEMNITY CLAIM**"), WHETHER BASED ON THEORIES OF DERIVATIVE LIABILITY, COMPARATIVE NEGLIGENCE OR OTHERWISE, EXCEPT TO THE EXTEND CAUSED BY LENDER'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. THIS INDEMNITY EXTENDS TO LENDER, ITS PARENT, SUBSIDIARIES, RABOBANK INTERNATIONAL AND ALL OF THEIR DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, SUCCESSORS, ATTORNEYS AND ASSIGNS. UPON DEMAND BY LENDER OR RABOBANK INTERNATIONAL, BORROWER WILL DEFEND ANY INVESTIGATION, ACTION OR PROCEEDING ALLEGING THE PRESENCE OF ANY HAZARDOUS SUBSTANCE WHICH AFFECTS THE REAL ESTATE OR WHICH IS BROUGHT OR COMMENCED AGAINST LENDER OR RABOBANK INTERNATIONAL, WHETHER ALONE OR TOGETHER WITH BORROWER OR ANY OTHER PERSON, ALL AT BORROWER'S OWN COST AND BY COUNSEL TO BE APPROVED BY LENDER OR RABOBANK INTERNATIONAL IN THE EXERCISE OF ITS REASONABLE JUDGMENT; PROVIDED, HOWEVER, THE INDEMNIFICATION CONTAINED IN THE FOREGOING CLAUSE SHALL NOT APPLY TO THE EXTENT SUCH HAZARDOUS SUBSTANCE IS RELEASED THROUGH NO FAULT OF BORROWER OR ITS RESPECTIVE AGENTS, EMPLOYEES OR CONTRACTORS AFTER THE DATE OF (A) JUDICIAL OR NON-JUDICIAL FORECLOSURE OF THE DEED OF TRUST; (B) THE ACCEPTANCE BY LENDER OF A DEED IN LIEU OF SUCH FORECLOSURE; OR (C) THE TAKING OF ACTUAL POSSESSION AND PHYSICAL CONTROL OF THE REAL ESTATE BY LENDER. IN THE ALTERNATIVE, LENDER OR RABOBANK INTERNATIONAL MAY ELECT TO CONDUCT ITS OWN DEFENSE AT THE EXPENSE OF BORROWER. NOTWITHSTANDING ANY PROVISION IN THE DEED OF TRUST OR MORTGAGE ENCUMBERING THE REAL ESTATE, BORROWER'S OBLIGATIONS TO LENDER AND RABOBANK INTERNATIONAL UNDER THIS **SECTION 14.03** ARE NOT SECURED BY THE REAL ESTATE. BORROWER'S OBLIGATIONS TO LENDER AND RABOBANK INTERNATIONAL UNDER THIS **SECTION 14.03** SHALL SURVIVE TERMINATION OF THIS AGREEMENT AND REPAYMENT OF BORROWER'S OBLIGATIONS TO LENDER UNDER THIS AGREEMENT OR TO RABOBANK INTERNATIONAL UNDER ANY HEDGING AGREEMENT, AND SHALL ALSO SURVIVE AS UNSECURED OBLIGATIONS AFTER ANY ACQUISITION BY LENDER OF ANY OTHER PERSON OF THE COLLATERAL OR ANY PART OF IT BY FORECLOSURE OR ANY OTHER MEANS.

Section 14.04 **Joint and Several Obligations of Borrower**. If Borrower consists of more than one Person, each of Borrowers expressly acknowledges that it has benefited and will benefit, directly and indirectly, from each and every Line of Credit Advance and hereby acknowledges and undertakes, together with the other Borrowers, joint and several liability for the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all Obligations. Each of Borrowers hereby acknowledges that this Agreement is the independent and several obligation of each Borrower and may be enforced against each Borrower separately, whether or not enforcement of any right or remedy hereunder has been sought against any other Borrower. Each Borrower further agrees that its liability hereunder and under any other Loan Document shall be absolute, unconditional, continuing and irrevocable. Each Borrower expressly waives any requirement that Lender exhaust any right, power or remedy and proceed against the other Borrowers under this Agreement, or any other Loan Documents, or against any other Person under any guaranty of, or security for, any of the Obligations.

Section 14.05 **Successors and Assigns**. This Agreement shall be binding upon and inure to the benefit of Borrower and Lender and their respective successors and assigns, except that Borrower may not assign or transfer any of its rights or obligations under any Loan Document to which Borrower is a party without the prior written consent of Lender.

Section 14.06 **One Agreement**. This Agreement and the other Loan Documents required under this Agreement, collectively: (a) represent the sum of the understandings and agreements between Lender and Borrower concerning this credit; (b) replace any prior oral or written agreements between Lender and Borrower concerning this credit; and (c) are intended by Lender and Borrower as the final, complete and exclusive statement of the terms agreed to by them. In the event of any conflict between this Agreement and any other agreements required by this Agreement, this Agreement will prevail.

Section 14.07 **Time of the Essence**. Time is of the essence of this Agreement and any other instrument or agreement required by this Agreement.

Section 14.08 **Governing Law**. This Agreement and the Line of Credit Note shall be governed by, and construed in accordance with, the laws of the State of California.

Section 14.09 **Severability of Provisions**. Any provision of any Loan Document which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of such Loan Document or affecting the validity or enforceability of such provision in any other jurisdiction.

Section 14.10 **Amendments, Etc.** No amendment, modification, termination, or waiver of any provision of any Loan Document shall be effective unless the same is in writing and signed by Lender.

Section 14.11 **No Waiver**. No failure or delay on the part of Lender in exercising any right, power, or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right, power, or remedy preclude any other or further exercise thereof or the exercise of any other right, power, or remedy hereunder. The rights and remedies provided herein are cumulative and are not exclusive of any other rights, powers, privileges, or remedies, now or hereafter existing, at law or in equity or otherwise.

Section 14.12 **Notices, Etc.**

(a) General. Unless otherwise expressly provided herein, all notices and other communications provided for hereunder shall be in writing and mailed or delivered to the address specified below, or to such other address as shall be designated by such party in a notice to the other parties, and in the case of any other party, to such other address as shall be designated by such party in a notice to Borrower and Lender. All such notices and other communications shall be deemed to be given or made upon the earlier to occur of (i) actual receipt by the intended recipient or (ii) (A) if delivered by hand or by courier, upon delivery; or (B) if delivered by mail, four (4) Banking Days after deposit in the mails, properly addressed, postage prepaid; provided, however, that notices and other communications to Lender shall not be effective until actually received by Lender.

If to Borrower:

LIMONEIRA COMPANY
1141 Cummings Road
Santa Paul, CA 93060
(Attention: Don Delmatoff)

If to Lender:

RABOBANK, N.A.
45 E. River Park Place West, Suite 507
Fresno, CA 93720
(Attention: Ag Loan Closing Department)

(b) Effectiveness of Facsimile Documents and Signatures. The Loan Documents may be transmitted and/or signed by facsimile. The effectiveness of any such documents and signatures shall, subject to applicable law, have the same force and effect as manually-signed originals and shall be binding on all parties. Lender may also require that any such documents and signatures be confirmed by a manually-signed original thereof; provided, however, that the failure to request or deliver the same shall not limit the effectiveness of any facsimile document or signature.

(c) Reliance by Lender. Lender shall be entitled to rely and act upon any notices (including telephonic Requests) purportedly given by or on behalf of Borrower even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. Borrower shall indemnify Lender from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of Borrower. All telephonic notices to and other communications with Lender may be recorded by Lender, and each of the parties hereto hereby consents to such recording.

Section 14.13 Consent to Jurisdiction.

(a) BORROWER HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY CALIFORNIA STATE OR FEDERAL COURT SITTING IN ITS DISTRICT WHICH INCLUDES FRESNO, CALIFORNIA, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS TO WHICH IT IS A PARTY, AND BORROWER HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH CALIFORNIA COURT OR IN SUCH FEDERAL COURT. BORROWER HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING. BORROWER IRREVOCABLY CONSENTS TO THE SERVICE OF COPIES OF THE SUMMONS AND COMPLAINT AND ANY OTHER PROCESS WHICH MAY BE SERVED IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES OF SUCH PROCESS TO BORROWER AT ITS ADDRESS IN **SECTION 14.12**. BORROWER AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW.

(b) Nothing in this **Section 14.13** shall affect the right of Lender to serve legal process in any other manner permitted by law or affect the right of Lender to bring any action or proceeding against Borrower or its property in the courts of other jurisdictions.

Section 14.14 Counterpart Execution. This Agreement may be executed in one or more counterparts, each of which is, for all purposes deemed an original and all such counterparts taken together, constitute one and the same instrument.

Section 14.15 Waiver of Jury Trial. BORROWER AND LENDER HEREBY IRREVOCABLY WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENT TO WHICH IT IS A PARTY OR ANY INSTRUMENT OR DOCUMENT DELIVERED THEREUNDER.

IN WITNESS WHEREOF, the parties hereto have caused this Line of Credit Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

BORROWER

LIMONEIRA COMPANY, a Delaware corporation

By:
Harold S. Edwards, President and Chief Executive Officer

By:
Don Delmatoff, Vice President of Finance and Administration and Chief Financial Officer

[signature page to Line of Credit Agreement]

LENDER

RABOBANK, N.A., a national banking association

By: ______________________

Stephen N. Shinsky, Sr. Vice President

Loan No. 9259535-01

AMENDMENT TO AMENDED AND RESTATED LINE OF CREDIT AGREEMENT

This First Amendment to Amended and Restated Line of Credit Agreement ("**Amendment**") is dated and made effective as of May 12, 2009 between **LIMONEIRA COMPANY**, a Delaware corporation (the "**Borrower**") and **RABOBANK, N.A.**, a national banking association (the "**Bank**"). Borrower and Bank agree as follows:

PRELIMINARY STATEMENT. Borrower and Bank have entered into that certain Amended and Restated Line of Credit Agreement dated as of December 15, 2008, (that credit agreement as amended herein and by any and all other modifications or amendments thereto is hereinafter referred to as the "**Credit Agreement**"; the terms defined in the Credit Agreement are used herein as therein defined). Borrower and Bank wish to amend the Credit Agreement.

NOW, THEREFORE, Borrower and Bank agree as follows:

Section 1.01 Amendment to Section 2.06(a) of the Credit Agreement. **Section 2.06(a)** of the Credit Agreement is hereby amended in its entirety as follows:

(a) Prior to May 15, 2009, the Borrower shall provide Lender with additional real estate as Collateral (the "Additional Real Estate") and Borrower shall satisfy all of the following in relation to the Additional Real Estate:

(i) Borrower shall provide Lender an executed amendment to the deed of trust in form and substance acceptable to Lender (the "Deed of Trust Amendment");

(ii) Borrower shall provide a CLTA lender's title insurance policy effective as of a date no earlier than the date and time of recording of the Deed of Trust Amendment, which insures the priority Lien position in favor of Lender and includes any endorsements as may be required by Lender (the "Additional Title Policy");

(iii) Borrower shall have completed an environmental questionnaire for the Additional Real Estate;

(iv) Borrower shall provide Lender evidence of a source of water on the Additional Real Estate sufficient for Borrower's operations;

(v) Lender shall have received an appraisal of the Additional Real Estate at the expense of the Borrower and in form and substance satisfactory to Lender in Lender's sole discretion;

(vi) Borrower shall provide Lender evidence of insurance coverage on the Additional Real Estate, as required by this Agreement or any other Loan Document;

(vii) Borrower shall provide Lender evidence that all required licenses, permits or other documentation from any Governmental Authority for the Borrower's operations and business on the Additional Real Estate have been received; and

(viii) Borrower shall provide Lender with any other evidence or documentation related to the Additional Real Estate as Lender may reasonably require.

Section 1.02 Amendment to Section 2.06(b) of the Credit Agreement. **Section 2.06(b)** of the Credit Agreement is hereby amended in its entirety as follows:

(b) On May 15, 2009, Lender shall reduce the Line of Credit Maximum Amount to the greater of (i) $69,900,000.00 or (ii) $69,900,000.00 plus 60% of the appraised value of any

Additional Real Estate that has satisfied all of the terms and conditions of Section 2.06(a); provided, however, that at no time shall the Line of Credit Maximum Amount exceed $80,000,000.00. Borrower shall be required to make any mandatory repayments required by Section 2.05 as a result of any reduction in the Line of Credit Maximum Amount. Once reduced in accordance with this Section 2.06, the Line of Credit Maximum Amount may not be increased.

Section 1.03 **Effectiveness**. This Amendment shall become effective when and only when Bank shall have received (a) counterparts of this Amendment duly executed by Borrower; (b) payment by Borrower for all outstanding legal fees and costs, including any fees or costs set forth in **Section 1.08** below; and (c) such other documents, actions or assurances as Bank may reasonably request.

Section 1.04 **Representations and Warranties of Borrower**.

(a) Borrower is a corporation duly organized, validly existing and in good standing under the laws of California.

(b) The execution, delivery and performance by Borrower of this Amendment and the Credit Agreement, as amended hereby, are within Borrower's powers, have been duly authorized by all necessary company action and do not contravene Borrower's articles of incorporation or bylaws, or any law or any contractual restriction binding on or affecting Borrower, or result in, or require, the creation of any lien, security interest or other charge or encumbrance upon or with respect to any of the properties.

(c) No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by Borrower of this Amendment or the Credit Agreement, as amended hereby.

(d) This Amendment and the Credit Agreement, as amended hereby, constitute, legal, valid and binding obligations of Borrower enforceable against Borrower in accordance with their respective terms.

(e) No event listed in Section 12.01 of the Credit Agreement has occurred and is continuing.

Section 1.05 **Reference to and Effect on the Credit Agreement**.

(a) On and after the date hereof, each reference in the Credit Agreement to "this Agreement", "hereunder" "hereof", "herein" or words of like import shall mean and be a reference to the Credit Agreement as amended hereby.

(b) Except as specifically amended by any prior amendments, the Credit Agreement shall remain in full force and effect and is hereby ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of Bank under the Credit Agreement, nor constitute a waiver of any provision of the Credit Agreement.

Section 1.06 **Execution in Counterparts**. This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument.

Section 1.07 **Governing Law**. This Amendment shall be governed by, and construed in accordance with, the laws (without giving effect to the conflicts of laws principles thereof) of the State of California.

Section 1.08 **Expenses**. Borrower shall pay on demand all costs and expenses incurred by Bank in connection with the preparation, execution, delivery, filing, and administration of this Amendment

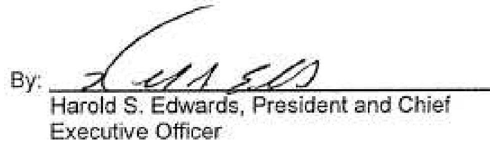
(including, without limitation, Legal Fees incurred in connection with the preparation of this Amendment and advising Bank as to its rights, and the cost of any credit verification reports or field examinations of Borrower's properties or books and records). Borrower's obligations to Bank under this Section shall survive termination of this Agreement and repayment of Borrower's obligations to Bank under the Credit Agreement.

[NO FURTHER TEXT ON THIS PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the date first above written.

BORROWER

LIMONEIRA COMPANY, a Delaware corporation



By: ____________________
Harold S. Edwards, President and Chief Executive Officer

By: ____________________
Don Delmatoff, Vice President of Finance and Administration and Chief Financial Officer

<u>BANK</u>:

RABOBANK, N.A., a national banking association

By: ______________________________
Name: ______________________________
Title: ______________________________

DOCS/909696.3

REVOLVING EQUITY LINE OF CREDIT
PROMISSORY NOTE AND LOAN AGREEMENT

Loan Number 0500574400

October 28, 1997 Arroyo Grande, California

1. **PROMISE TO PAY.**

FOR VALUE RECEIVED, the undersigned ("Borrower", whether one or more) jointly and severally promises to pay to the order of Central Coast Federal Land Bank Association, FLCA ("Lender") a corporation organized and existing under the laws of the United States of America, at its principal office at Arroyo Grande, California or at such other place as may be designated in writing by Lender, the principal sum of Nine Million One Thousand and no/100 dollars ($ 9,001,000.00), including capital stock or participation certificates ("Maximum Loan Amount"), or so much of that sum as may be advanced or re-advanced by Lender under this Revolving Equity Line of Credit Promissory Note and Loan Agreement ("Note"), with interest on the unpaid principal balance.

2. **REVOLVING LINE OF CREDIT.**

A. Lender shall make available to Borrower a revolving line of credit in a principal amount not to exceed at any one time the Maximum Loan Amount. Subject to the terms and conditions of this Note, as amounts borrowed hereunder are repaid during the Draw Period as defined below, they may be reborrowed. Borrower shall purchase capital stock or participation certificates in the amount required by Lender's bylaws, which are subject to change.

B. Until November 01, 2007 ("Draw Period"), Borrower may draw amounts hereunder, subject to the terms and conditions of this Note. The Draw Period may be terminated by Borrower at any time by written notice to Lender. Subject to the terms and conditions of this Note, and provided Borrower is not in default under paragraph 6 of this Note, Lender shall make advances to Borrower upon request. If such an event of default occurs, one of Lender's remedies includes Lender's right to terminate Borrower's right to make draws. Such termination may be with or without notice to Borrower.

C. Draws must be in increments of not less than Ten Thousand and no/100 dollars ($ 10,000.00), or the remaining amount available under the Note, whichever is less. All draws requested hereunder by Borrower shall be drawn in accordance with procedures established by Lender.

3. **REPAYMENT.**

A. **Principal And Interest Shall Be Payable To Lender As Follows:**

(x) 1. **During the Draw Period:**

(x) **Interest Only:** During the Draw Period, Borrower shall pay on February 01, 1998 and every three months thereafter, all interest then accrued during the billing period based on the daily principal balance.

( ) **[Loan Matures at End of Draw Period:]** On ______________ ("Maturity Date") Borrower shall pay the entire unpaid principal sum together with all interest accrued thereon.

( ) **Principal Reduction and Interest:** Beginning on ______________ and on that date each year thereafter during the Draw Period, the Maximum Loan Amount shall each be reduced by ______________ dollars ($ ______________) ["Adjustment Amount"]. If, after reducing the Maximum Loan Amount, the outstanding principal balance

exceeds the reduced Maximum Loan Amount, Borrower shall pay the difference within thirty days of written request by Lender. Borrower shall also pay on ____________________ and every ____________ thereafter, all interest then accrued during the billing period based on the daily principal balance.

( ) **[Loan Matures at End of Draw Period:]** On ____________________ ("Maturity Date") Borrower shall pay the entire unpaid principal sum together with all interest accrued thereon.

(x) 2. **During the Amortized Balance Period :**

a. Provided the Borrower is not then in default and there is no event which with the passage of time would become an event of default under the terms of this Note, then on the first day after the end of the Draw Period, the outstanding principal balance then due ("Amortized Balance") shall be fully amortized in accordance with the terms hereof over the remaining term of the Note ("Amortized Balance Period"). Provided Borrower is current on all scheduled payments due under the Draw Period, any interest accrued and unpaid since the last scheduled payment under the Draw Period shall be added to the first installment due under the Amortized Balance Period.

b. Borrower shall make equally amortized payments of principal and interest based on the Amortized Balance beginning on February 1, 2008 and every three months until November 1, 2022 ("Maturity Date") at which time the entire remaining principal balance, together with all accrued interest and all other obligations evidenced by this Note shall be fully due and payable.

( ) 3. **Repayment Per Attached Schedule :**

a. Borrower shall make interest and principal payments during the Draw Period, and the Amortized Balance Period if applicable, per the attached Repayment Schedule.

B. Repayment Upon Early Termination.

1. If Borrower terminates the Draw Period, the obligation evidenced by this Note shall be equally amortized over the remaining term of the Note based on the repayment frequency for principal payments specified in Paragraphs 3(A)(2)(b), or if none, then based on the interest only payment frequency specified in Paragraph 3(A)(1).

2. If Lender elects not to accelerate the loan in conjunction with the termination of the Draw Period in the event of a default, then if the loan originally provided for an Amortized Balance Period under Paragraph 3(A)(2), the outstanding obligation shall be immediately equally amortized over the remaining term of the Note based on the repayment frequency for payments specified in Paragraph 3(A)(2). If the loan originally provided for the loan to mature at the end of the Draw Period, interest only payments shall continue until the Maturity Date specified in Paragraph 3(A).

3. The terms of Paragraph 3(C)(1) shall also apply to any early amortization of the Note.

C. Additional Terms of Repayment. Borrower shall also be subject to the following terms for repayment:

1. The amount of the installments shall be increased or decreased to reflect any increase or decrease in the interest rate described in Paragraph 4 below. Any payment received by Lender after Lender has closed its books for the day will be applied on the subsequent business day.

2. Provided Borrower is not in default under this Note, Borrower has the right to make payments in advance of the scheduled payment dates. Such an advance payment is referred to as "prepayment". If Borrower, in making a prepayment, intends the prepayment to be applied to reduce the principal balance of the Note, Borrower must so inform Lender in writing accompanying the prepayment. Absent such a writing, or unless agreed to in writing otherwise, Lender may apply all payments, including regular installments, received from or on behalf of Borrower and all proceeds of real or personal property collateral to principal, interest or any part of the indebtedness as defined in the deed of trust, mortgage or security agreement as Lender, in its sole discretion, may choose. Borrower may make a full prepayment or partial prepayment without paying a prepayment fee. If Borrower makes a partial prepayment, there will be no delays in the due dates of Borrower's installment payments unless Lender agrees in writing to those delays. Unless Borrower and Lender agree otherwise, Lender at its sole discretion may reamortize the Note on the basis of the new principal balance; otherwise, the making of a prepayment will operate only to discharge the Note at an earlier date.

4. INTEREST.

A. **Initial Interest Rate.** The rate of interest applicable to the Note is a variable interest rate and shall change in accordance with Paragraphs 4(B) through (D) below. Interest shall accrue at the variable interest rate as established by Lender for the interest rate group to which this Note is assigned. The initial interest rate that will be charged commencing on the date Lender disburses principal is 7.25 % per annum. Interest will be charged on that part of outstanding principal which has not been paid and shall be calculated on the basis of a 360-day year and a 30-day month. During the Draw Period interest shall be calculated daily on this basis. Interest charged hereunder, including any accelerated interest rate described in Section 6 below, shall not be limited by the laws of any state relating to a legal rate or other rate of interest, but shall be governed solely by applicable federal laws.

B. **Change in Interest Rate and Interest Rate Group.** The interest rate applicable to this Note may be adjusted automatically as of the first day of any month to the rate then made applicable to the Note's assigned interest rate group under the provisions of Lender's variable interest rate plan in effect at that time. In adjusting the rate, Lender considers certain standard factors set forth in the plan, including but not limited to, changes in its costs of funds, operating expenses, earnings requirements to meet certain capital objectives, credit risk factors, and the competitive environment, which factors may change during the term of the loan. Upon any adjustment to the rate of interest, the installments of principal and/or interest due hereunder shall be increased or decreased so that the indebtedness will be repaid within the original loan term. Borrower understands and agrees that (1) the interest rate group to which this Note is assigned may be changed at any time to any other interest rate group based on Lender's evaluation of the change in Borrower's credit quality, quality of collateral, costs of servicing the loan, and other factors which are set forth in Lender's interest rate plan in effect at that time; and (2) the interest rate group shall be automatically adjusted to the highest interest rate group if a default or event of default shall occur under this Note or under any other note or agreement between Borrower and Lender.

C. **Notice.** If Lender changes Borrower's interest rate, Lender will give Borrower notice of the change in rate as required by the then applicable law.

D. **Conversion Option.** Provided Borrower is not in default, Borrower shall have the option to convert at the end of the Draw Period from the variable interest rate to any other interest rate program Lender may offer for loans in amount and terms similar to Borrower's. Such conversion is subject to approval by Lender and payment of all applicable fees, charges and accrued interest.

5. INTEREST AND LATE CHARGES FOR OVERDUE PAYMENTS.

Any installment of principal or interest not received by Lender by the end of the fifteenth (15th) calendar day after the day it is due shall bear interest from such due date until such amount is fully paid at a variable interest rate equal to the interest rate in effect at that time plus 4.00 % per annum. As the interest rate is increased or decreased, the late charge rate shall be likewise adjusted. Borrower shall also be obligated to pay a late charge of $25.00 for each installment of principal and/or interest not received by Lender by the end of the fifteenth (15th) calendar day after the date it is due.

6. DEFAULT.

Borrower is in default of this Note under the following circumstances: (a) Borrower fails to pay principal or interest as set forth in this Note; (b) Borrower breaches any term, condition or representation in this Note or in any document in connection with this Note or in connection with any other loan of this Lender, or any other lender; (c) If any of Borrower's representations to this, or any other lender in connection with any loan prove to be materially false or misleading; (d) Lender determines that Borrower is unable to repay the sums owed Lender under this Note as agreed or Lender in good faith otherwise deems itself insecure; (e) If, in Lender's reasonable determination, there shall occur any material adverse change in the financial condition of Borrower or in the value of the collateral; (f) Borrower's death, dissolution, incapacity or termination of existence; (g) Borrower's insolvency, business failure, application for or consent to appointment of a receiver/custodian or trustee for itself or any of its assets, assignment to an agent authorized to liquidate any substantial amount of assets, assignment for the benefit of creditors by, or commencement of any proceeding under any bankruptcy or insolvency law by or against Borrower, or any guarantor, endorser, or surety for Borrower; (h) Any judgment, writ, levy, lien, attachment, notice of tax lien, tax lien, or similar process shall be entered or filed against Borrower or any guarantor or any of Borrower's or any of guarantor's properties and is not vacated, bonded, or stayed to the satisfaction of Lender; (i) An event of default shall occur under any guaranty given to Lender as security for this Note, or any guarantor shall purport to terminate, repudiate or contest any such guaranty; any guarantor who is a natural person shall die; or any guarantor that is not a natural person shall be dissolved or terminated; (j) Borrower sells, leases, conveys, alienates, or transfers, or enters into any agreement for the sale, lease, conveyance, alienation, transfer or nonuse of any water or water right, or similar term such as Water Asset, as may be defined in any deed of trust, mortgage, security agreement or other agreement relating to the pledge of water or water rights.

A. **Remedies.** If an event of default shall occur, Lender shall have all rights, powers and remedies available under this Note or any other loan document, or agreement, or accorded by law or at equity, including the right to suspend or terminate the right of Borrower to make draws hereunder, to foreclose on any and all collateral and to exercise any or all of the rights of a mortgagee, trust deed beneficiary, or secured party pursuant to applicable law. All rights, powers, and remedies of Lender may be exercised at any time by Lender and from time to time after the occurrence of an event of default. All rights, powers, and remedies of Lender in connection with this Note and any loan document are cumulative and not exclusive and shall be in addition to any other rights, powers, or remedies provided by law or equity. Lender may enforce any security interest or lien given or provided for under this Note or any other document in such manner and in such order, as to all or any part of the collateral as Lender, in its sole judgment, deems to be necessary or appropriate, and Borrower, to the extent Borrower can, waives any and all rights, obligations, or defenses now or hereafter established by law relating to the foregoing. The mortgage, deed of trust or security agreement provides that advances made by Lender shall become a part of the principal evidenced by this Note, and also states additional conditions under which the entire Note may be accelerated and become immediately due and payable and will be subject to interest and acceleration interest.

B. **Acceleration and Interest Upon Acceleration.** On Borrower's default, and at Lender's option, all unpaid principal, including amounts advanced for taxes, insurance, and other expenses provided herein, accrued unpaid interest and amounts charged in Section 5, shall become immediately due and payable without presentment, demand, notice of non-payment, or protest. Interest on said accelerated amount shall be 4.00 % per annum above the interest rate in effect at the time as stated in Section 4(A)-(D) above.

C. **Waiver.** Any delay, failure or discontinuance of Lender in exercising any right or remedy shall not waive that right or remedy or any other right or remedy. Any explicit waiver of default by Lender must be in writing and signed by Lender. No waiver of default by Lender shall operate as a waiver of any other default or of the same default on a future occasion.

7. **USE OF FUNDS.**

Borrower represents and warrants that any funds drawn hereunder will be used primarily for business or agricultural purposes and not for personal, family, or household purposes. Borrower understands and acknowledges that Lender has relied on this representation in establishing this revolving line of credit in favor of Borrower and will rely on this representation in making any advance under this Note.

8. **APPOINTMENT OF AGENT.**

Borrower hereby appoints Lori Le Suer ("Agent") to draw loan funds under this Note during the Draw Period. Lender, at its sole option, may require that all requests for loan funds be in writing, signed by Agent, in a form acceptable to Lender. If oral requests for loan funds are permitted, Lender's records shall be conclusive evidence of such requests for loan funds. Facsimile documents may be accepted by Lender as originals. Any draw by Agent constitutes an ongoing representation and warranty by Borrower that there is not at the time of request or payment of any draw, any event of default pending under the Note or any deed of trust or mortgage securing the Note, and that title to any such security has not been transferred.

Draws shall be paid according to Agent's instructions, except that checks representing loan funds shall always be made payable to at least one Borrower and wire transfers shall only be permitted if Borrower has authorized the account into which the funds are to be deposited. The appointment of the above-named Agent pursuant to this paragraph shall remain in full force and effect until written notice of revocation of appointment signed by any one of the undersigned has been received by Lender. Upon receipt of such written revocation, until a new agent is appointed in writing by Borrower, draw requests submitted with less than all the Borrowers' signatures shall be made payable to all Borrowers.

Borrower shall indemnify and hold Lender harmless from loss or liability of any kind arising from or related to any action or inaction taken by Lender in good faith in reliance on this appointment or any instructions from the Agent or Borrower pursuant to this provision.

STANDARD CONDITIONS

While this Note is in effect Borrower will: (1) at Lender's request, furnish information to Lender relating to Borrower's business and financial affairs and permit Lender to examine Borrower's books and records; (2) maintain all other loans with Lender in a current status; (3) allow Lender to inspect and appraise Lender's collateral; (4) promptly notify Lender of any potential material adverse change in financial condition or notify Lender in writing of any possible default under this Note or any other loan agreement with Lender or with any other lender or of any event which would become an event of default upon the lapse of time or the giving of notice or both; (5) execute all other documents as Lender may lawfully require in connection with this Note; and (6) comply with all terms and conditions of all other documents executed in connection with this Note.

TRANSFER BY LENDER. Lender may sell, transfer or assign this Note or any portion thereof, and deliver to the transferee(s) ("Noteholder") all or any portion of the property then held by it as security hereunder, and the Noteholder shall thereupon become vested with all the power and rights herein given to Lender with respect thereto and at such time the term "Lender" as herein used shall be deemed to mean and include the "Noteholder"; and Lender shall thereafter be forever relieved and fully discharged from any and all liability or responsibility to Borrower, but Lender shall retain all rights and powers hereby given with respect to property not so transferred, sold or assigned.

FINANCIAL REPORTS. Borrower shall furnish Lender as soon as possible, but in no event later than 120 days after each fiscal year, financial reports for each of the undersigned, including a balance sheet and a profit and loss statement.

FEES AND CHARGES OF ATTORNEYS AND OTHERS. In the event that Lender employs attorneys, accountants, appraisers, consultants, or other professional assistance, including the services of any such person who is a direct employee of Lender, in connection with any of the following, then, the reasonable amount of costs, expenses and fees incurred by Lender shall be payable on demand. Lender may, at its option, add the amount of such costs, expenses and reasonable fees to the principal amount of the loan and an appropriate amount of capital stock or participation certificates as required by Lender's bylaws and Farm Credit Administration ("FCA") regulations. Lender thereafter may charge interest on such amount at the interest rate then applicable to the principal.

Costs, expenses and reasonable fees of professionals covered by this provision include such charges for the following:

(A) The preparation, modification, or renewal of this Note, or any security agreement, deed of trust, or mortgage ("Security Instrument"), or any other documentation incident to the loan transaction;

(B) Advising Lender subsequent to the initial disbursement of loan proceeds concerning its legal rights and obligations with regard to the Note or security given for the Note, including advising Lender with regard to Borrower's exercise of any rights under the provisions of the Farm Credit Act, as amended, FCA regulations, any policy or program of Lender, or any state or federal law or regulation and bankruptcy laws and rules;

(C) Any litigation, dispute, proceeding or action, whether instituted by Lender, Borrower, or any other person, relating to the Note, security given for the Note, or Borrower's affairs, including representation of Lender in any bankruptcy, insolvency, or reorganization case or proceeding instituted by or against Borrower, and any attempt by Lender to enforce any rights against Borrower;

(D) In the event of any controversy, claim or dispute relating to the Note, security given for the Note, any Security Instrument or other agreements between Borrower and Lender, including but not limited to any action to construe or enforce the terms of the loan obligations and security agreements, the prevailing party shall be entitled to recover its reasonable costs, expenses, and reasonable attorney fees;

(E) In the event of bankruptcy or insolvency proceedings (whether state or federal) instituted by or against Borrower or third parties with whom Borrower has entered contractual relationships, the Lender may recover all costs, expenses and reasonable attorney fees incurred to protect or defend Lender's right under the Note, any Security Instrument and other documents underlying the loan transactions whether such costs, expenses, and attorney fees be contractual or bankruptcy related, including costs, expenses, and attorney fees for meetings, sessions, matters, proceedings and litigation involving issues solely distinct to federal bankruptcy law, rules and proceedings as well as other federal and state litigation and proceedings;

(F) The inspection, verification, protection, collection, processing, sale, liquidation, or disposition of security given for the Note;

(G) The cost of any appraisal or collateral evaluation of all or any part of the real property security, which Lender may from time to time obtain as part of Lender's reasonable administration of the Note;

(H) Any of the type of expenses referred to in (A) through (G) above incurred by Lender in connection with any guaranty of the Note.

TRANSACTION SUMMARY. All disbursements and repayments of indebtedness shall be posted on Lender's accounting records. Periodically, Lender shall send Borrower a transaction summary or a similar loan accounting. If Borrower fails to object to the accounting in writing within 30 days of its mailing by Lender, Borrower shall have waived any right to object to the accuracy of the accounting and the accounting may be admitted into evidence by Lender for the purpose of establishing the balance due Lender in any legal proceeding arising between the parties.

NOTICES. Borrower shall promptly give written notice to Lender of: (a) any enforcement action brought against Borrower by any governmental regulatory body or law enforcement authority or any dispute between Borrower and any such authority or body; (b) any pending or threatened litigation or court proceeding brought against Borrower; (c) the death or disability of any Borrower or guarantor; (d) any material adverse change in Borrower's financial condition; and (e) the occurrence of any event of default or any event that with a lapse of time or the giving of notice or both would become an event of default.

LOAN CHARGES. If a law, which applies to this Note and which sets maximum loan charges, is finally interpreted so that the interest or other loan charges collected or to be collected in connection with this Note exceed the permitted limits, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any sums already collected which exceeded permitted limits will be refunded to Borrower, without interest thereon. Lender may choose to make this refund by reducing the principal Borrower owes under this Note or by making a direct payment to Borrower. If a refund reduces principal, the reduction will be treated as a partial prepayment.

DISCLOSURE AND INQUIRIES. By signing this Note, Borrower agrees that Lender may disclose financial information to other Farm Credit System institutions. Borrower further authorizes Lender from time to time, to make such inquiries and gather such information as Lender deems necessary and reasonable to administer the Note. Lender is also authorized from time to time to make credit inquiries, verify credit, verify employment, and obtain credit agency reports regarding Borrower or any spouse of Borrower.

BORROWER'S GUARANTEES. By signing this Note, Borrower warrants that Borrower has legal authority to enter into this transaction, that the terms and conditions of this contract do not contravene the terms and conditions of any other contract(s) of Borrower, that Borrower's representations in connection with this loan are true and accurate, and that Borrower is not involved in, or has any expectations of involvement in, any legal action that might impair Borrower's financial condition or ability to continue business.

SEVERABILITY. In the event that one or more of the provisions of this Note or any other loan documents should be deemed or held to be invalid, illegal, unenforceable or against public policy in any respect, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired.

CAPTIONS. Captions used in this Note are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope or intent of any term or provision.

APPLICABLE LAW. Enforcement of this Note, any Security Instrument, and any other document executed in connection herewith shall be governed by and construed in accordance with federal laws to the extent applicable, and shall otherwise be governed by the laws of the state specified on page one of this Note, immediately above Section 1.

INTEGRATION CLAUSE; AMENDMENTS MUST BE IN WRITING. This Note, any Security Instrument and modifications thereof, executed by Lender and Borrower in connection herewith, or as required by this Note, constitute the entire agreement between Borrower and Lender and supersedes all prior negotiations, communications, discussions, oral agreements, and promises concerning this loan. The Note shall not include any loan application or any written correspondence submitted by Borrower to Lender that has not been agreed to by Lender in writing. To the extent that any of the terms or provisions contained in this Note are inconsistent with those contained in any previous loan agreement or security agreement or any other agreements executed prior to this Note, the terms and provisions contained herein shall control. Otherwise, such provisions shall be considered cumulative. This Note may be amended or modified only by a written instrument executed by each party hereto.

HAZARDOUS SUBSTANCE INDEMNITY. Borrower indemnifies and agrees to hold Lender harmless from any losses or damages suffered by Lender that arise from the release, threatened release, discharge, manufacture, use, storage, transportation or presence of any hazardous substance in connection with the business of Borrower or on any real property owned or occupied by Borrower, whether pledged as security for this Note or not. The indemnity covers the officers, directors, agents, and attorneys of Lender and extends to attorneys fees and other costs and expenses incurred by Lender in connection with the foregoing. The term "hazardous substance" shall mean any material or substance which is now or hereafter considered "hazardous" or "toxic" or subject to any other deleterious classification under any federal, state, or local law. NOTWITHSTANDING ANY OTHER PROVISION OF THIS NOTE OR THE LOAN DOCUMENTS, THIS INDEMNITY SHALL SURVIVE REPAYMENT OF THE INDEBTEDNESS.

OBLIGATIONS OF PERSONS UNDER THIS NOTE. The liability of each Borrower executing this Note shall be that of co-maker and not that of an endorser, guarantor or accommodation party and shall be joint and several. The separate property of any married person executing this Note shall be liable for the indebtedness evidenced hereby.

SPECIFIC WAIVERS OF EACH BORROWER. The indebtedness of each Borrower is independent of the indebtedness of all other Borrowers. Each Borrower expressly waives any right to require Lender to proceed against any other Borrower, to proceed against or exhaust any collateral, to pursue any remedy Lender may have at any time, and the benefit of any statute of limitations affecting its liability under this Note or any other loan document. Each Borrower waives any and all defenses by reason of (a) any disability or other defense of any other Borrower with respect to the indebtedness owed to Lender, (b) the termination for any reason whatsoever of the liability of any other Borrower, (c) any act or omission of Lender that directly or indirectly results in or aids the discharge or release of any other Borrower, any guarantor, or any security provided by any Borrower or guarantor, (d) the failure by Lender to perfect any security interest or lien on any collateral, and (e) an election of remedies by the Lender, even though that election of remedies, such as a nonjudicial foreclosure with respect to security for this Note, has destroyed the Borrower's rights of subrogation, contribution, reimbursement, indemnity, set off, or other recourse against another Borrower by the operation of Section 580d of the California Code of Civil Procedure or otherwise.

Each Borrower agrees that Lender may at any time, without notice, release all or any part of the security for this Note (including all or any part of the premises covered by the referenced mortgage or deed of trust), grant extensions, change terms of payment, deferments, renewals or reamortizations of any part of the debt evidenced by this Note, and release from personal liability any one or more of the parties who are or may become liable for this debt; all without affecting the personal liability of any other party. The Borrower and endorsers of this Note also severally waive any and all other defense or right of offset against the holder hereof. No Borrower shall have any right of subrogation, contribution, reimbursement, indemnity, set off, or other recourse and waives the benefit of, or any right to participate in, any collateral until such time as all of the obligations owed by Borrower to Lender under this Note shall have been paid in full. Each Borrower, to the extent it may lawfully do so, waives any defense under California anti-deficiency statutes, or comparable provisions of the laws of any other state to the recovery of a deficiency after a foreclosure sale of such property.

Each Borrower represents and warrants to Lender that it has established adequate means of obtaining from each other Borrower, on a continuing basis, information pertaining to the businesses, operations and conditions (financial or otherwise) of each other Borrower and its properties, and each Borrower now is and will be familiar with the businesses, operations and conditions (financial or otherwise) of each other Borrower and its properties. Each Borrower waives and relinquishes any duty on the part of Lender (if such duty exists) to disclose to any Borrower any matter, fact or thing related to the businesses, operations, or conditions (financial or otherwise) of any other Borrower or its properties. Without limiting the generality of the foregoing, each Borrower waives any defenses or rights arising under or of the kind described in California Civil Code sections 2795, 2808, 2809, 2810, 2815, 2819 through 2825 (inclusive), 2832, 2839, and 2845 through 2850 (inclusive) and similar laws in other jurisdictions.

UNIFORM SECURED NOTE. This Note is a uniform instrument with limited variations in some jurisdictions. In addition to the protections given to Lender under this Note, the Security Instrument securing this Note protects Lender from possible losses which might result if Borrower does not keep the promises made in this Note. That Security Instrument describes how and under what conditions Borrower may be required to make immediate payment in full of all amounts owed under this Note. One of those conditions relates to any transfer of the property covered by the deed of trust, which provides as follows:

Continued on following page.

Initials: PYT: [signature] LLS: [signature]

10. (a) In the event the herein-described Property, or any part thereof, or any interest therein, is sold, agreed to be sold, conveyed, alienated or further encumbered or transferred, including any water transfer as defined in subsection (b) below, by Trustor, or by operation of law or otherwise, without Beneficiary's prior written consent, all Indebtedness, irrespective of the maturity dates, at the option of the holder hereof, and without demand or notice, shall immediately become due and payable. Failure to exercise such option shall not constitute a waiver of the right to exercise this option in the event of subsequent sale, agreement to sell, conveyance or alienation.

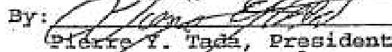
(b) A water transfer is any transfer, assignment, sale, agreement to sell, conveyance, exchange, gift, encumbrance, pledge, hypothecation, alienation, grant of option to purchase, or other disposition of, directly, indirectly or in trust, voluntarily or involuntarily, by operation of law or otherwise, or the entry into a binding agreement to do any of the foregoing with respect to all or any part of any existing or hereafter created or acquired Water Assets.

The representatives of Lender are not authorized to make any oral agreements or assurances. Do not sign this Note if you believe that there are any agreements or understandings between you and Lender that are not set forth in writing in this Note or the other loan documents.

BY SIGNING, BORROWER ACKNOWLEDGES THAT BORROWER HAS READ AND AGREES TO THE TERMS OF THIS NOTE, INCLUDING THE STANDARD CONDITIONS, AND HAS RECEIVED A COMPLETED COPY OF THIS NOTE AND THE RELATED MORTGAGE, DEED OF TRUST OR OTHER SECURITY DOCUMENTS WITH ALL APPLICABLE BLANKS FILLED IN PRIOR TO OR AS A PART OF THE CONSUMMATION OF THIS TRANSACTION.

For additional Terms and Conditions see the Addendum, attached hereto and made a part hereof.

Limoneira Company, a Delaware Corporation

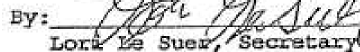


By: ____________________
Pierre Y. Tada, President

By: ____________________
Lori Le Suer, Secretary

Limoneira Groves, Inc., a California Corporation

By: ____________________
Pierre Y. Tada, President



By: ____________________
Lori Le Suer, Secretary

INDORSEMENT - The within Note is hereby indorsed by the payee named in the body of said Note as if the name of the payee were actually executed under the indorsement.

PAY TO THE ORDER OF WESTERN FARM CREDIT BANK, Sacramento, California.

PROMISSORY NOTE AND LOAN AGREEMENT

This "Promissory Note and Loan Agreement" ("Note") is entered into as of **April 23, 2007**, between the Lender and Borrower identified below.

1. **PROMISE TO PAY.** For value received the undersigned (collectively, "**Borrower**") as principals, jointly and severally, promise to pay to the order of Farm Credit West, FLCA ("**Lender**"), a corporation organized and existing under the laws of the United States of America, with its office at 2031 Knoll Drive, P.O. Box 6070, Ventura, CA 93006 or at such other place as may be designated in writing by Lender, the principal sum of **$1,000,000.00** (One Million Dollars and Zero Cents) together with interest as specified in this Note below. "**Indebtedness**" (also called a "**Loan**" or "**Account**" herein) means principal, interest and all other sums owed hereunder of whatever kind evidenced by this Note. All Indebtedness owed hereunder shall be payable only in lawful money of the United States of America.

2. **PAYMENTS.** Principal and Interest Shall Be Payable To Lender as Follows:

   One (1) installment of interest in the amount billed, and principal in the amount of **$1,314.70**, to be made on **June 01, 2007**. **Two Hundred Ninety-Eight (298) Monthly** installments of principal and interest, in the amount of **$6,814.70**, beginning on **July 01, 2007**, plus a final installment of any amount necessary to pay the Indebtedness in full.

   This Note is due and payable in full on **May 01, 2032** ("**Maturity Date**"), at which time Borrower shall pay all unpaid sums of whatever kind as evidenced by this Note and related Loan Documents, including the unpaid principal balance and all accrued interest in full.

   At Lender's option, a change in the interest rate or an advance may either increase or decrease one or more of the following: the amount of each installment due, the amount of the final installment (resulting in a final installment due at the Maturity Date which may be greater than any previous installments) or the total number of installments due. Lender may apply any payment received from or on behalf of Borrower and any proceeds of Collateral, as defined herein, to principal, interest, or any part of the Indebtedness as Lender, in its sole discretion, may choose. Any payment received by Lender after Lender has closed its books for the day will be applied on the next business day.

3. **INTEREST.**

   3.1 INITIAL INTEREST RATE. Interest will be charged on the entire unpaid principal balance of this Note, including payments not made when due and any other sums owing hereunder, at a fixed interest rate of **6.60%** per year (the "**Fixed Rate**") and such rate shall continue for a period of **5 years** (the "**Fixed Rate Term**"). At the end of the Fixed Rate Term, the interest rate shall then convert to interest at a Variable Interest Rate, as described in Section 3.5 below. Interest shall accrue to the date of Lender's receipt of an Installment or other payment, and will be calculated on the basis of a 360-day year and a 30-day month. Interest charges will begin on the date Lender disburses principal and continue until the Indebtedness is paid in full with interest

   Interest charged hereunder, including any acceleration interest rate described in Section 5.2 below, all late charges, default interest and other charges described in Section 4 below, and all other amounts charged hereunder, shall not be limited by the laws of any state, including any state laws relating to a legal rate or other interest rate, but shall be governed solely by applicable federal laws.

   3.2 CHANGE OF INTEREST RATE. At the end of the Fixed Rate Term, on **May 01, 2012**, unless the remaining balance of the Note is repaid or fixed for an additional period, the Fixed Rate for this Note shall automatically convert to the then current Variable Interest Rate for which this Note is eligible, as described in Section 3.5 below. Thereafter, all Variable Interest Rate provisions shall apply to this Note.

3.3 INTEREST RATE ON DEFAULT. If the Indebtedness shall become due because of a default under this Note interest for this Note shall continue pursuant to the terms of Section 5.2 of this Note until all the Indebtedness is paid in full.

3.4 NOTICE. At the end of the Fixed Rate Term, or if the interest rate changes for any other reason, Lender will give Borrower notice of such rate change to the extent required by and in accordance with the then applicable law.

3.5 VARIABLE INTEREST RATE. Indebtedness converting to the Variable Interest Rate upon the expiration of the Fixed Rate Term shall: a) bear interest at the Variable Interest Rate from the date of expiration of the Fixed Rate Term until the Maturity Date unless another rate is established; and b) be repaid in installments calculated at the Variable Interest Rate sufficient to pay the account in full on the Maturity Date.

The Variable Interest Rate applicable to the Indebtedness after conversion shall be the Variable Rate established by Lender corresponding to the interest rate group to which the Indebtedness is assigned at any time ("**Variable Interest Rate**"). Interest charges will begin on date the interest rate is converted hereto, and continue until the full amount of the Indebtedness has been paid in full with interest.

Change in interest rate and interest rate group. The Variable Interest Rate applicable to the Indebtedness may be adjusted automatically, as of the first day of any month, to the Variable Interest Rate corresponding to the interest rate group to which such Indebtedness is assigned under the provisions of Lender's variable interest rate plan in effect at that time. In adjusting the Variable Interest Rate, Lender considers certain standard factors set forth in the plan, including but not limited to, changes in its costs of funds, operating expenses, earnings requirements to meet certain capital objectives, credit risk factors, and the competitive environment, which factors may change during the term of this Note.

Borrower understands and agrees that: (a) the interest rate group to which the Indebtedness is assigned may be changed at any time to any other interest rate group, based on Lender's evaluation of the change in Borrower's credit quality, quality of collateral, costs of servicing the loan, and other factors which are set forth in Lender's interest rate plan in effect at that time; and (b) the interest rate group to which the Indebtedness is assigned may be automatically adjusted to the highest interest rate group if a default shall occur under this Note or under any other note or agreement between Borrower and Lender.

4. **LATE CHARGES FOR OVERDUE PAYMENTS.** Any installment of principal or interest not received by Lender by the end of the fifteenth (15th) calendar day after the date it is due shall bear interest from such due date until such amount is fully paid at the interest rate in effect at that time plus **4.00%** per annum. If the interest rate and/or the rate group assignment (if applicable) is increased or decreased, the late charge rate shall be likewise adjusted.

5. **DEFAULT.** Borrower is in default on this Note under any one or more of the following circumstances: (a) Borrower fails to pay when due principal, interest or other sums as set forth in this Note or any other Loan Document; (b) Borrower is declared to be in default on any other loan or obligation of Borrower to Lender or in which Lender has an interest, or Borrower breaches any term, condition or representation in this Note or in any other Loan Document in connection with this Note or in connection with any other loan of this Lender, or any other lender, including but not limited to any other Farm Credit lender; (c) any of Borrower's representations to this or any other lender in connection with any loan are materially false or misleading; (d) Lender determines that Borrower is unable to repay the sums owed Lender under this Note as agreed, or Lender in good faith otherwise deems itself insecure; (e) Lender's reasonable determination that a material adverse change has occurred in the financial condition of Borrower or in the value of the Collateral; (f) Borrower's death, dissolution, incapacity or termination of existence; (g) Borrower's insolvency, business failure, application for or consent to appointment of a receiver/custodian or trustee for itself or any of its assets, assignment to an agent authorized to liquidate any substantial amount of assets, assignment for the benefit of

creditors by, or commencement of any proceeding under any bankruptcy or insolvency law by or against Borrower, or any guarantor, endorser, or surety for Borrower; (h) any judgment, writ, levy, lien, attachment, notice of tax lien, tax lien, or similar process is entered or filed against Borrower, any guarantor or any of Borrower's or any of guarantor's properties and is not vacated, bonded, or stayed to the satisfaction of Lender; (i) a default occurs under any guaranty given to Lender in connection with this Note, or any guarantor shall purport to terminate, repudiate or contest any such guaranty; any guarantor who is a natural person shall die; or any guarantor that is not a natural person shall be dissolved or terminated; or (j) Borrower sells, leases, conveys, alienates, or transfers, or enters into any agreement for the sale, lease, conveyance, alienation, transfer or nonuse of any water, water rights or "Water Asset", as such may be defined in any deed of trust, mortgage, security agreement or other agreement relating to the pledge of water or water rights.

5.1 REMEDIES. If a default shall occur, Lender shall have all rights, powers and remedies available under this Note or any other Loan Document, or accorded by law or at equity, including the right to foreclose on any and all Collateral and to exercise any or all of the rights of a mortgagee, trust deed beneficiary, or secured party pursuant to applicable law. One of Lender's remedies hereunder shall include Lender's right to immediately terminate Borrower's right to make draws, with or without notice to Borrower. All rights, powers, and remedies of Lender may be exercised at any time by Lender and from time to time after the occurrence of a default. All rights, powers, and remedies of Lender in connection with this Note and any other Loan Document are cumulative and not exclusive and shall be in addition to any other rights, powers, or remedies provided by law or equity. Lender may enforce any security interest or lien given or provided for under this Note or any other Loan Document in such manner and in such order, as to all or any part of the Collateral as Lender, in its sole judgment, deems to be necessary or appropriate. Borrower, to the extent Borrower can, waives any and all rights, obligations, or defenses now or hereafter established by law relating to the foregoing. The mortgage, deed of trust or other Security Instrument provides that advances made by Lender shall become a part of the principal evidenced by this Note, and also states additional conditions under which the entire Note may be accelerated and become immediately due and payable and will be subject to interest and acceleration interest.

5.2 ACCELERATION AND INTEREST UPON ACCELERATION. On Borrower's default, and at Lender's option, all unpaid principal, including amounts advanced for taxes, insurance, and other expenses provided herein, accrued unpaid interest and amounts charged in Section 4, shall become immediately due and payable without presentment, demand, notice of non-payment, or protest. Interest on said accelerated amount shall be **4.00%** per annum above the interest rate provided for in Section 3 above.

5.3 WAIVER. Any delay, failure or discontinuance of Lender in exercising any right or remedy shall not waive that right or remedy or any other right or remedy. Any explicit waiver of default by Lender must be in writing and signed by Lender. No waiver of default by Lender shall operate as a waiver of any other default or of the same default on a future occasion.

6. **PREPAYMENT; REAMORTIZATION; REFINANCE; INTEREST RATE CONVERSION.** A payment, in any amount, made in advance of the scheduled payment date is a "**prepayment.**" If Borrower, in making a prepayment, intends the prepayment to be applied to reduce the principal balance of the Note, Borrower must so inform Lender in writing accompanying the prepayment. Unless agreed to in writing otherwise, Lender may apply all prepayments in such manner as Lender, in its sole discretion, may determine. Borrower may make a full or partial prepayment on any business day without paying a prepayment fee.

Upon the making of a partial prepayment, Borrower may request to have the amount of future installments reamortized over the remaining term of the Loan, but only if Borrower so notifies Lender at the time Borrower makes the partial prepayment and only if, upon Lender's approval of the request, Borrower pays to Lender any fees and costs that Lender may charge for such reamortization.

Lender may from time to time offer other loan or interest rate products for which Borrower qualifies. Borrower acknowledges that it may not refinance or convert this Note to another loan or interest rate product with Lender

unless Borrower qualifies for such loan or product and pays to Lender any fees and costs that Lender may charge for such refinance or conversion.

LOAN AGREEMENT

7. **BORROWER'S REPRESENTATIONS AND WARRANTIES.** In addition to the representations and warranties described in other Loan Documents, Borrower makes the following representations and warranties to Lender which remain in effect until all Indebtedness subject to this Agreement is repaid in full:

   7.1 FINANCIAL STATEMENTS. All financial statements and other information both previously and hereafter furnished by Borrower to Lender are accurate in every material respect; there has not been any material adverse change in the financial condition of Borrower since the date of the last financial statement provided; Borrower has no material liabilities, fixed or contingent, which are not fully shown or provided for in the said financial statements as of the date thereof.

   7.2 PROFIT AND LOSS INFORMATION. All submitted profit and loss information is accurate and complete.

   7.3 SOLVENCY. Borrower has sufficient capital to carry on the business and is solvent and able to pay debts as they mature, and Borrower is generally paying such debts. Borrower owns property the fair market value of which exceeds the dollar amount required to pay Borrower's debts.

   7.4 COMPLIANCE WITH LOAN TERMS. Borrower is performing on, or is in compliance with, all terms of all Borrower's other loans and obligations to all other creditors, if any, and all loans and obligations to Lender, whether or not subject to this Note.

   7.5 LEGAL ENTITY WARRANTY AND CERTIFICATION. If Borrower is a legal entity, Borrower (and any person signing this Agreement in a representative capacity on behalf of Borrower) represents, warrants and certifies that Borrower is duly constituted under applicable laws and in good standing; that Borrower has the power, authority, and appropriate authorization to enter into this Agreement, all Security Instruments and any other Loan Document in connection with any Loan; that when executed this Agreement, all Security Instruments and any other Loan Document in connection with this Agreement shall be valid and legally binding on Borrower. If the Borrower is a trust, each trustee executing this Agreement on behalf of the trust also represents, warrants and certifies that this Agreement, all Security Instruments and other Loan Documents are being executed by all the currently acting trustees of the trust and that the trust has not been revoked, modified, or amended in any manner which would cause any of the foregoing to be incorrect.

8. **SPECIAL LOAN CONDITIONS, COVENANTS AND REQUIREMENTS.** Borrower covenants and agrees with Lender as follows:

   8.1 FINANCIAL PERFORMANCE.

      8.1.1 No other financial performance covenants are imposed at this time unless provided elsewhere herein or in other Loan Documents.

   8.2 INSURANCE. In addition to the insurance requirements described in other Loan Documents, Borrower shall provide, maintain and deliver to Lender, fire and extended coverage, flood and any and all other types of insurance in terms and amounts as may be required by law or Lender from time to time, with loss payable endorsements solely in favor of Lender or, for real property secured loans, naming Lender as mortgagee.

   8.3 FINANCIAL INFORMATION. At Lender's request, Borrower shall provide to Lender financial information in a form acceptable to Lender, including, when so required, a current balance sheet and income statement. In the case of multiple Borrowers, financial information must be provided for each Borrower as requested by Lender.

   Financial Information shall be provided as described below:

8.3.1 Financial information shall be provided at such times during the term of this Agreement as Lender may request.

8.4 NEGATIVE COVENANTS. In addition to the negative covenants set forth in other Loan Documents, Borrower will not take any of the following actions without the prior written approval of Lender during the term of this Agreement and until all Loans are paid in full:

8.4.1 Sell Borrower's business, abandon or cease business operations, or merge or consolidate with any third party or entity.

8.4.2 Dispose of all or a substantial portion of Borrower's business assets by sale, transfer, lease, gift, abandonment or otherwise, except for sales of inventory in the ordinary course of business.

8.4.3 Obtain credit or loans from other lenders other than trade credit customary in Borrower's business.

8.4.4 Become a guarantor or surety on, or otherwise become liable for, the debts or obligations of any third party person, or any entity or firm.

8.4.5 Mortgage, pledge, lease for a period exceeding one year or otherwise make or allow the filing of a lien on any loan collateral.

8.5 ENVIRONMENTAL. In addition to the environmental requirements described in other Loan Documents, Borrower shall comply with the following additional requirements: No other environmental requirements are imposed at this time unless provided elsewhere herein or in other Loan Documents.

9. **SECURITY.** This is a secured Note. **"Collateral"** means all real and personal property securing this Note. **"Security Instrument"** means any deed of trust, mortgage, security agreement or other Loan Document granting Lender a lien on, or security interest in, any real or personal property as security for this Note. The terms of all Security Instruments securing this Note are hereby incorporated by reference as a part of this Note as if fully set forth herein. **"Loan Document"** means this Note, and any loan agreement, guaranty, Security Instrument, and any and all other writings or agreements executed in connection with the loan or this Note, and all amendments, modifications, and restatements thereof.

10. **AGENCY.** Each of the undersigned hereby appoints each of the other undersigned as his, her or its agent for purposes of the within obligations until written notice of termination of such agency is actually received by Lender. This Agency shall include, but not be limited to, the authority to vote all stock or participation certificates required by Lender's bylaws, request and receive Loan disbursements, and receive on behalf of all the undersigned any check, payment, document or notice given in connection with this Note or any Loan.

11. **INSPECTION AND ACCESS.** While this Note is in effect Borrower will: (a) at Lender's request, furnish information to Lender relating to Borrower's business and financial affairs, (b) permit Lender to examine Borrower's books and records; and (c) allow Lender to inspect and appraise Lender's Collateral at reasonable times and places.

12. **REQUIRED ACTIONS.** While this Note is in effect Borrower will: (a) maintain all other loans with Lender in a current status; (b) comply with all terms and conditions of all Loan Documents executed in connection with this Note; and (c) execute, deliver, file and or record such documents or instruments, or take such other actions, as may be reasonably required by Lender to effectuate the intention of this transaction, or to assure the enforceability and collectability of the Indebtedness, Note or any Security Instrument, Loan Document or lien, or to otherwise protect or enforce the rights of Lender thereunder.

13. **TRANSFER BY LENDER.** Lender may sell, transfer or assign this Note or any portion thereof, and deliver to the transferee(s) (**"Holder"**) all or any portion of the property then held by it as security hereunder. The Holder shall thereupon become vested with all the power and rights herein given to Lender with respect thereto, and at such time the term "Lender" as herein used shall be deemed to mean and include the Holder. Lender shall thereafter be forever relieved and fully discharged from any and all liability or responsibility to Borrower, but Lender shall retain all rights and powers hereby given with respect to property not so transferred, sold or assigned.

14. **FEES AND CHARGES OF ATTORNEYS AND OTHERS.** In the event that Lender utilizes the services of attorneys, accountants, appraisers, consultants, or other professional or outside assistance, including the services of in-house counsel or any other attorney or professional who is an employee of Lender, the reasonable amount of fees, costs and expenses incurred by Lender to utilize such persons in connection with any of the following shall be payable by Borrower on demand and Lender may, at its option, add the amount of such Expenses to any portion of the Note, and charge interest on such amount at the interest rate applicable to such portion of the Note:
    - (a) The preparation, modification or enforcement of this Note and any other agreement or Loan Document incident to the Note or to the Collateral;
    - (b) Advising Lender concerning its legal rights and obligations with regard to this Note and any other agreement or Loan Document incident to the Note, or to the Collateral, including advising Lender with regard to the extent of Lender's rights, if any, under the provisions of the Farm Credit Act of 1971, as amended, Farm Credit Administration regulations, any policy or program of Lender, or any other state or federal law;
    - (c) Any litigation, dispute, proceeding, or action (whether terminated or dismissed prior to judgment, reduced to judgement or otherwise finally resolved), and whether instituted by Lender, Borrower or any other person, relating to this Note, any other Loan Document, the Collateral or Borrower's affairs;
    - (d) The furtherance of Lender's interest in any bankruptcy, insolvency, or reorganization case or proceeding instituted by or against Borrower, including any steps to (i) modify or terminate the automatic stay, (ii) prohibit or condition Borrower's use of cash collateral, (iii) object to any disclosure statement or plan, (iv) propose or confirm a plan, and (v) prosecute or defend adversary proceedings or contested matters, and take or defend examinations or discovery, whether or not related to any adversary proceeding or contested matter, whether terminated or dismissed prior to judgment, reduced to judgement or otherwise finally resolved;
    - (e) The inspection, verification, protection, collection, processing, sale, liquidation, or disposition of the Collateral; and
    - (f) Any of the type of Expenses referred to in (a) through (e) above incurred by Lender in connection with any guaranty of the Note.

    The Expenses described herein and elsewhere in this Note shall be in addition to those set forth in any Security Instrument or other Loan Document between Lender and Borrower.

15. **TRANSACTION SUMMARY.** All disbursements and repayments of Indebtedness shall be posted on Lender's accounting records. Periodically, Lender shall send Borrower a transaction summary, statement or a similar loan accounting. If Borrower fails to object to the accounting in writing within 30 days of its mailing by Lender, Borrower shall have waived any right to object to the accuracy of the accounting and the accounting may be admitted into evidence by Lender for the purpose of establishing the balance due Lender in any legal proceeding arising between the parties.

16. **NOTICES.** Borrower shall promptly give written notice to Lender of: (a) any enforcement action brought against Borrower by any governmental regulatory body or law enforcement authority or any dispute between Borrower and any such authority or body; (b) any pending or threatened litigation or court proceeding brought against Borrower; (c) the death or disability of any Borrower or guarantor; (d) any material adverse change in Borrower's business or financial condition; (e) the occurrence of any default or any event that with a lapse of time or the giving of notice or both would become a default under any obligation of Borrower to Lender or in which Lender has an interest; (f) any change in management or ownership of Borrower's business or operations; (g) any default on loans or credit arrangements with any other creditors; (h) any location change or new location of Borrower's office or site of operation; (i) any change to an out of state location for any Collateral; and (j) restriction, suspension, revocation or other change in any permit(s), license(s) or authority(ies) required to conduct Borrower's business.

17. **LOAN CHARGES.** If a law, which applies to this Note and which sets maximum loan charges, is finally interpreted so that the interest or other loan charges collected or to be collected in connection with this Note

exceed the permitted limits, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any sums already collected which exceeded permitted limits will be refunded to Borrower, without interest thereon. Lender may choose to make this refund by reducing the principal Borrower owes under this Note or by making a direct payment to Borrower. If a refund reduces principal, the reduction will be treated as a partial prepayment.

18. **DISCLOSURE AND INQUIRIES.** By signing this Note, Borrower agrees that Lender may disclose financial information to other Farm Credit System institutions. Borrower further authorizes Lender from time to time, to make such inquiries and gather such information as Lender deems necessary and reasonable to administer the Loan. Lender is also authorized from time to time to make credit inquiries, verify credit, verify employment, and obtain credit agency reports regarding Borrower and Borrower's business.

19. **BORROWER'S AUTHORITY.** By signing this Note, Borrower warrants that Borrower has legal authority to enter into this transaction, that the terms and conditions of this Note and any Security Instrument executed in connection herewith do not contravene the terms and conditions of any other contract(s) of Borrower, that Borrower's representations in connection with this Loan are true and accurate, and that Borrower is not involved in, and has no expectations of involvement in, any legal action that might impair Borrower's financial condition or ability to continue business.

20. **HAZARDOUS SUBSTANCE INDEMNITY.** Borrower indemnifies and agrees to hold Lender harmless from any losses or damages suffered by Lender that arise from the release, threatened release, discharge, manufacture, use, storage, transportation or presence of any hazardous substance in connection with the business of Borrower or on any real property owned or occupied by Borrower, whether pledged as security for this Note or not. The indemnity covers the officers, directors, agents, and attorneys of Lender and extends to attorneys' fees and other costs and expenses incurred by Lender in connection with the foregoing. The term "**hazardous substance**" shall mean any material or substance which is now or hereafter considered hazardous or toxic or subject to any other deleterious classification under any federal, state, or local law. NOTWITHSTANDING ANY OTHER PROVISION OF THIS NOTE OR THE OTHER LOAN DOCUMENTS, THIS INDEMNITY SHALL SURVIVE REPAYMENT OF THE LOAN.

21. **OBLIGATIONS OF PERSONS UNDER THIS NOTE.** The liability of each Borrower executing this Note shall be that of co-maker and not that of an endorser, guarantor or accommodation party and shall be joint and several. The separate property of any married person executing this Note shall be liable for the Loan and Indebtedness evidenced hereby.

22. **SPECIFIC WAIVERS OF EACH BORROWER.** The indebtedness of each Borrower is independent of the indebtedness of all other Borrowers. Each Borrower expressly waives any right to require Lender to proceed against any other Borrower, to proceed against or exhaust any collateral, to pursue any remedy Lender may have at any time, and the benefit of any statute of limitations affecting its liability under this Note or any other Loan Document. Each Borrower waives any and all defenses by reason of: (a) any disability or other defense of any other Borrower with respect to the Indebtedness owed to Lender, (b) the termination for any reason whatsoever of the liability of any other Borrower, (c) any act or omission of Lender that directly or indirectly results in or aids the discharge or release of any other Borrower, any guarantor, or any security provided by any Borrower or guarantor, (d) the failure by Lender to perfect any security interest or lien on any collateral, and (e) an election of remedies by Lender, even though that election of remedies, such as a non-judicial foreclosure with respect to security for this Note, has destroyed Borrower's rights of subrogation, contribution, reimbursement, indemnity, set off, or other recourse against another Borrower by the operation of Section 580d of the California Code of Civil Procedure or otherwise or under similar laws in other jurisdictions.

    22.1 BORROWER FURTHER AGREES. Each Borrower agrees that Lender may at any time, without notice, release all or any part of the security for this Note (including all or any part of the premises covered by any mortgage or deed of trust), grant extensions, change terms of payment, deferments, renewals or reamortizations of any part of the debt evidenced by this Note, and release from personal liability any one or more of the parties who are or may become liable for this debt; all without affecting the personal liability of any other party. Borrower and endorsers of this Note also severally waive any

and all other defenses or right of offset against the Holder hereof. No Borrower shall have any right of subrogation, contribution, reimbursement, indemnity, set off, or other recourse and waives the benefit of, or any right to participate in, any collateral until such time as all of the obligations owed by Borrower to Lender under this Note shall have been paid in full. Each Borrower, to the extent it may lawfully do so, waives any defense under California anti-deficiency statutes, or comparable provisions of the laws of any other state to the recovery of a deficiency after a foreclosure sale of such property.

22.2 BORROWER FURTHER REPRESENTS AND WARRANTS. Each Borrower represents and warrants to Lender that it has established adequate means of obtaining from each other Borrower, on a continuing basis, information pertaining to the businesses, operations and conditions (financial or otherwise) of each other Borrower and its properties, and each Borrower now is and will be familiar with the businesses, operations and conditions (financial or otherwise) of each other Borrower and its properties. Each Borrower waives and relinquishes any duty on the part of Lender (if such duty exists) to disclose to any Borrower any matter, fact or thing related to the businesses, operations, or conditions (financial or otherwise) of any other Borrower or its properties. Without limiting the generality of the foregoing, each Borrower waives any defenses or rights arising under or of the kind described in California Civil Code sections 2795, 2808, 2809, 2810, 2815, 2819 through 2825 (inclusive), 2832, 2839, and 2845 through 2850 (inclusive) and similar laws in other jurisdictions.

23. REAL ESTATE SECURED NOTE. This Note is secured by a Security Instrument which describes how and under what conditions all amounts owed under this Note may become immediately due and payable. One of those conditions relates to any transfer of the Property covered by the Security Instrument and to certain other transfers. Refer to each Security Instrument for the specific conditions and requirements. When the Security Instrument is a Deed of Trust, the Deed of Trust provides as follows:

DUE ON SALE OR TRANSFER. In the event the herein-described Property, (including any existing or subsequently acquired or created Water Asset), or any part thereof, or any interest therein, is transferred or agreed to be transferred, without Beneficiary's prior written consent, all Indebtedness, irrespective of the maturity dates, at the option of the holder hereof, and without demand or notice, shall immediately become due and payable. As used herein, **"transferred"** means sold, conveyed, alienated, exchanged, transferred by gift, further encumbered, pledged, hypothecated, made subject to an option to purchase, or otherwise disposed of, directly or indirectly, or in trust, voluntarily or involuntarily, by Trustor or by operation of law or otherwise. Failure to exercise such option shall not constitute a waiver of the right to exercise this option in the event of subsequent transfer or subsequent agreement to transfer.

If Trustor is an entity other than a natural person (such as a corporation or other organization), then all Indebtedness, irrespective of the maturity date, at the option of Beneficiary, and without demand or notice, shall become immediately due and payable if: (a) a beneficial interest in Trustor is transferred; (b) there is a withdrawal or removal of a general partner of a partnership or a manager of a limited liability company; (c) there is a transfer in the aggregate of more than 25% of the voting stock of Trustor, if Trustor is a corporation, or there is a transfer in the aggregate of more than 25% of the partnership interests or membership interests, if Trustor is a partnership, limited liability company or similar entity; or (d) Trustor is dissolved or its existence as a legal entity is terminated.

24. NO ORAL AGREEMENTS. The representatives of Lender are not authorized to make any oral agreements or assurances. Do not sign this Note if you believe that there are any agreements or understandings between you and Lender that are not set forth in writing in this Note or the other Loan Documents.

25. SUCCESSORS AND ASSIGNS. This Note is binding on Borrower's and Lender's successors and assignees. Borrower shall not assign this Note without Lender's prior written consent. Lender may sell participations in or assign this Note, and may exchange financial information about Borrower with actual or potential participants or assignees. If a participation is sold or the Note is assigned, the purchaser will have the right of set-off against Borrower.

26. **SEVERABILITY.** If one or more of the provisions of this Note, any Security Instrument or any other Loan Documents should be deemed or held to be invalid, illegal, unenforceable or against public policy in any respect, the validity, legality, and enforceability of the remaining provisions shall not in anyway be affected or impaired. To the extent any waiver of a right by Borrower hereunder may be contrary to applicable law, such waiver shall be deemed made to the extent allowed by such law. To the extent Nevada law applies, Borrower does not waive any right relating to the sale of real property provided under Nevada law.

27. **CAPTIONS.** Captions used in this Note are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope or intent of any term or provision. As used herein, the word "**including**" means including without limitation and/or including but not limited to.

28. **APPLICABLE LAW.** Enforcement of this Note, any Security Instrument, and any other Loan Document executed in connection herewith shall be governed by and construed in accordance with federal laws to the extent applicable, and shall otherwise be governed by the laws of the state specified in the address of Lender, in Section 1, unless a Security Instrument specifies that it shall be governed by the laws of a different state, in which case the law of the state specified in the Security Instrument shall govern regarding the Security Instrument in question.

29. **ENTIRE AGREEMENT; AMENDMENTS MUST BE IN WRITING.** This Note, any Security Instrument and modifications thereof, the Notice of Loan Approval, and any other Loan Document executed by Borrower in connection herewith, constitute the entire agreement between Borrower and Lender and supersedes all prior negotiations, communications, discussions, oral agreements, and promises concerning this Loan. The Note shall not include any loan application or any written correspondence submitted by Borrower to Lender that has not been agreed to by Lender in writing. To the extent that any of the terms or provisions contained in this Note are inconsistent with those contained in the Notice of Loan Approval, or in any previous loan agreement, Security Instrument, agreement or other Loan Document executed prior to this Note, the terms and provisions contained herein shall control. Otherwise, such provisions shall be considered cumulative. This Note may be amended or modified only by a written instrument executed by Lender and Borrower. All exhibits to this Note are considered to be supplemental to and made a part of this Note.

30. **REIMBURSEMENT OF CHARGES.** If any farm credit bank or any other provider of financing or funding to Lender shall assess against Lender any fee, cost, charge, or other amount with respect to the Indebtedness, Borrower shall reimburse Lender on demand for the amount thereof, regardless of whether such assessment arose from actions taken by Borrower.

31. **SPECIAL REPRESENTATIONS, WARRANTIES, CONDITIONS AND COVENANTS.**

    31.1 **ADDITIONAL ADVANCE ON DEED OF TRUST.** The Indebtedness and the obligations under this Note are secured as a future advance under a deed of trust or mortgage dated October 29, 1997, and recorded on October 31, 1997, as Instrument #97-078148, in the Official Records of Tulare County, State of California.

BY SIGNING, BORROWER ACKNOWLEDGES THAT BORROWER HAS READ AND AGREES TO THE TERMS OF THIS NOTE, AND HAS RECEIVED A COMPLETED COPY OF THIS NOTE AND THE RELATED MORTGAGE, DEED OF TRUST OR OTHER SECURITY INSTRUMENTS WITH ALL APPLICABLE BLANKS FILLED IN PRIOR TO OR AS A PART OF THE CONSUMMATION OF THIS TRANSACTION.

Signature(s):

Limoneira Company, a Delaware Corporation

By:
Harold S. Edwards, President

By:
Don Delmatoff, Secretary

INDORSEMENT – The within Note is hereby indorsed by the payee named in the body of said Note as if the name of the payee were actually executed under the indorsement.

PAY TO THE ORDER OF U.S. AgBANK, FCB, Wichita, Kansas

#/

Filing Ref.:	Windfall Inv...tors, LLC	ML.. Number:	W12000015856
		Customer Number:	1700212664

MASTER LOAN AGREEMENT

This Master Loan Agreement is established as of **September 23, 2005**, between **Farm Credit West, PCA** a corporation organized and existing under the laws of the United States of America, with its office at **2031 Knoll Drive, P.O. Box 6070, Ventura, CA, 93006** ("**Lender**") and each of the undersigned person(s) and/or entities (collectively, "**Borrower**"). This Agreement shall remain in effect until all Indebtedness is paid in full and the Agreement is terminated in writing by Lender.

1. MASTER LOAN AGREEMENT. On this date, and from time to time hereafter, Lender may make Loans to Borrower. Borrower and Lender (collectively, the "**Parties**") enter into this Master Loan Agreement which, together with the applicable Supplement(s) and other Loan Documents, shall govern each separate Loan and all Indebtedness between the Parties. Unless stated to the contrary elsewhere, the provisions of all Loan Documents are incorporated by reference herein as if stated in full. For value received, Borrower promises to pay to order of Lender all Indebtedness governed by this Agreement. Nothing herein shall be construed to obligate Lender to restructure or renew any unpaid balance, any part thereof, or to make any additional or future loans or financial accommodations to Borrower.

1.1 SUPPLEMENTS. Loans made on and after the date of this Agreement will be evidenced by a "Promissory Note and Supplement to Master Loan Agreement" ("**Supplement**"). Each Supplement shall set forth the terms and conditions applicable to each Loan. All Supplements and attachments thereto, including all amendments, renewals, and restatements thereof, are incorporated by reference and made a part of this Agreement unless the contrary is stated in any Loan Document. In any conflict of terms between this Master Loan Agreement and any Supplement, the Supplement shall control, unless the contrary is specifically stated in the Supplement. Any amendment to this Master Loan Agreement shall control all Supplements, unless the contrary is stated in the amendment.

1.2 FUTURE CREDIT ACCOMMODATIONS. Borrower may apply for future loans, renewals of unpaid balances, refinancings, reschedulings, or other credit facilities or accommodations. Each loan application Borrower submits will be evaluated for eligibility and creditworthiness at the time of its submission. Nothing in this Agreement or any other agreement between Borrower and Lender shall be construed to obligate Lender to restructure or renew any unpaid balance, any part thereof, or to make any additional or future loans or financial accommodations to Borrower.

2. DEFINED TERMS. "**Indebtedness**" means all Loans, advances, obligations, covenants and duties of any kind owing by Borrower to Lender under this Agreement whether now existing or hereafter arising, absolute or contingent, due or to become due, and whether or not evidenced by any writing, this Agreement or any other Loan Document, and including all interest, charges, fees, attorney's fees, expenses, and any other sum(s) chargeable to Borrower under this or any other related agreement. "**Loan**" or "**Account**" means each loan, credit facility or other obligation evidenced by any Supplement. "**Agreement**" means this Master Loan Agreement, including all Supplements, attachments and other agreements incorporated by reference and all amendments, modifications, and restatements thereof. "**Loan Document**" means this Agreement, and any Supplement, guaranty, Security Instrument, and any and all other documents or agreements executed in connection with this Agreement, any Loan or the Indebtedness, and all amendments, modifications, and restatements thereof.

2.1 OTHER LOANS WITH LENDER. Unless specifically stated to the contrary in writing by Lender, in this or any other document, this Master Loan Agreement shall not supersede or govern other notes, loan agreements, loans, and obligations by Borrower to Lender not contained in Supplements hereto. Such other loans shall continue to be governed by the applicable loan documents. This Agreement shall not be construed to waive any right(s) in or to discharge any note, guaranty, security instrument or indebtedness between the Parties not subject hereto unless the same has been specifically waived or discharged in writing by Lender.

3. SECURITY. All Indebtedness is secured by Borrower-owned stock or participation certificates required by Lender's bylaws, any funds or accounts of Borrower held by or maintained with Lender, Lender's allocated surplus, and any other items which secure this Loan under applicable laws, regulations or Loan Documents (collectively,

"**Standard Security**"). Loans may also be secured by other personal property and real property. Collateral may secure more than one Loan when so indicated. All liens and interests in Collateral will be evidenced by the appropriate Security Instrument granting such interest. "**Collateral**" means the Standard Security and all real and personal property, whether now owned or hereafter acquired, in which Lender now holds or later acquires a security interest or lien to secure this Agreement, any Loan or the Indebtedness. "**Security Instrument**" means any deed of trust, mortgage, security agreement, assignment or other document granting Lender a lien on, or security interest in, any real or personal property as security for this Agreement, any Loan or the Indebtedness.

4. DEFAULT. A default on any Supplement or the Indebtedness is a default on this Master Loan Agreement. A default on this Master Loan Agreement or any Supplement shall, at Lender's option, also be a default on all Supplements and all the Indebtedness. Borrower is in default on this Master Loan Agreement, including any Supplement, under any one or more of the following circumstances (individually and collectively called an "**Event of Default**"): (a) Borrower or any guarantor fails to pay when due any Indebtedness or amount(s) owed under this Agreement or any other Loan Document; (b) Borrower or any guarantor is declared to be in default on this Agreement, any other Loan Document, or on any other loan or obligation of Borrower to Lender or in which Lender has an interest; (c) Borrower breaches any term, condition or representation in this Agreement or in any other Loan Document for this or any other loan by this or any other lender, including but not limited to any other Farm Credit lender; (d) Borrower's representation(s) to this or any other lender in connection with any loan are materially false or misleading; (e) Lender determines that Borrower is unable to repay as agreed the sums owed Lender under this Agreement, or Lender in good faith otherwise deems itself insecure; (f) Lender's reasonable determination that a material adverse change has occurred in the financial condition of Borrower or in the value of the Collateral; (g) Borrower's death, dissolution, incapacity or termination of existence; (h) Borrower's insolvency, business failure, application for or consent to appointment of a receiver/custodian or trustee for itself or any of its assets, or an assignment to an agent authorized to liquidate any substantial amount of assets, or an assignment for the benefit of creditors by, or commencement of any proceeding under any bankruptcy or insolvency law by or against Borrower, or any guarantor, endorser, or surety for Borrower; (i) Any judgment, writ, levy, lien, attachment, notice of tax lien, tax lien, or similar process is entered or filed against Borrower, any guarantor or any of Borrower's or any of guarantor's properties and is not vacated, bonded, or stayed to the satisfaction of Lender; (j) An Event of Default occurs under any guaranty given to Lender in connection with this Agreement, any Supplement or the Indebtedness; or any guarantor shall purport to terminate, repudiate or contest any such guaranty; or any guarantor who is a natural person shall die; or any guarantor that is not a natural person shall be dissolved or terminated; or (k) Borrower sells, leases, conveys, alienates, or transfers, or enters into any agreement for the sale, lease, conveyance, alienation, transfer or nonuse of any water or water rights, or "Water Asset", as such may be defined in any deed of trust, mortgage, security agreement or other agreement relating to the pledge of water or water rights.

5. REMEDIES. If an Event of Default occurs, Lender shall have all rights, powers and remedies available under this Agreement, any other Loan Document, or provided by law or equity under applicable laws, including but not limited to: the right to declare, at Lender's option, all or any portion of the Indebtedness immediately due and payable without prior recourse to the Collateral; Lender's right to immediately terminate Borrower's right to draw additional funds, and/or suspend or reduce Borrower's credit or credit limit, all with or without notice to Borrower; and the right to foreclose on, or enforce any security interest in, any Collateral (all above collectively, "**Remedies**"). All Lender's Remedies: (a) may be exercised at any time by Lender, or from time to time, after an Event of Default; (b) are cumulative and not exclusive; and (c) shall be in addition to any other rights or remedies provided by law or equity. Lender may enforce any security interest or lien in such manner and order, as to all or any part of the Collateral as Lender, in its sole judgment, deems appropriate. Borrower, to the extent possible, waives all rights, obligations, or defenses now or hereafter established by law relating to the Remedies.

5.1 ACCELERATION. If an Event of Default occurs, Lender may, at its option, declare all or any portion of the Indebtedness to be immediately due and payable without presentment, demand, notice of non-payment, protest or prior recourse to Collateral, and terminate or suspend Borrower's right to draw or request funds on any Loan or line of credit.

5.2 WAIVER. Lender's failure to require strict compliance with any provision of this Agreement or any other agreement between Lender and Borrower shall not affect Lender's right to require strict compliance with such

provision. Lender's suspension or waiver of an Event of Default shall not affect any other Event of Default or any of Lender's remedies with respect thereto. Lender's waiver or suspension of any rights under this or any other agreement, or Lender's grant of any consent to Borrower, shall be effective only if such waiver, suspension, or consent is in writing and only to the extent specifically set forth in such writing.

6. **BORROWER'S REPRESENTATIONS AND WARRANTIES.** In addition to representations and warranties described in other Loan Documents, Borrower makes the following representations and warranties to Lender which remain in effect until all Indebtedness subject to this Agreement is repaid in full:

6.1 **FINANCIAL STATEMENTS.** All financial statements and other information both previously and hereafter furnished by Borrower to Lender are accurate in every material respect; there has not been any material adverse change in the financial condition of Borrower since the date of the last financial statement provided; Borrower has no material liabilities, fixed or contingent, which are not fully shown or provided for in the said financial statements as of the date thereof.

6.2 **PROFIT AND LOSS INFORMATION.** All submitted profit and loss information is accurate and complete.

6.3 **SOLVENCY.** Borrower has sufficient capital to carry on the business and is solvent and able to pay debts as they mature, and Borrower is generally paying such debts. Borrower owns property the fair market value of which exceeds the dollar amount required to pay Borrower's debts.

6.4 **COMPLIANCE WITH LOAN TERMS.** Borrower is performing on, or is in compliance with, all terms of all Borrower's other loans and obligations to all other creditors, if any, and all loans and obligations to Lender, whether or not subject to this Agreement.

6.5 **LEGAL ENTITY WARRANTY AND CERTIFICATION.** If Borrower is a legal entity, Borrower (and any person signing this Agreement in a representative capacity on behalf of Borrower) represents, warrants and certifies that Borrower is duly constituted under applicable laws and in good standing; that Borrower has the power, authority, and appropriate authorization to enter into this Agreement, all Security Instruments and any other Loan Document in connection with any Loan; that when executed this Agreement, all Security Instruments and any other Loan Document in connection with this Agreement shall be valid and legally binding on Borrower. If the Borrower is a trust, each trustee executing this Agreement on behalf of the trust also represents, warrants and certifies that this Agreement, all Security Instruments and other Loan Documents are being executed by all the currently acting trustees of the trust and that the trust has not been revoked, modified, or amended in any manner which would cause any of the foregoing to be incorrect.

7. **SPECIAL LOAN CONDITIONS, COVENANTS AND REQUIREMENTS.** Borrower covenants and agrees with Lender as follows:

7.1 **FINANCIAL PERFORMANCE.**

7.1.1 No other financial performance covenants are imposed at this time unless provided elsewhere herein or in other Loan Documents.

7.2 **INSURANCE.** In addition to the insurance requirements described in other Loan Documents, Borrower shall provide, maintain and deliver to Lender fire and extended coverage, flood and any and all other types of insurance in terms and amounts as may be required by law or Lender from time to time, with loss payable endorsements solely in favor of Lender or, for real property secured loans, naming Lender as mortgagee.

7.3 **FINANCIAL INFORMATION.** At Lender's request, Borrower shall provide to Lender financial information in a form acceptable to Lender, including, when so required, a current balance sheet and income statement. In the case of multiple Borrowers, financial information must be provided for each Borrower as requested by Lender.

7.3.1 Financial information shall be provided at such times during the term of this Agreement as Lender may request.

7.4 **ENVIRONMENTAL.** In addition to the environmental requirements described in other Loan Documents, Borrower shall comply with the following additional requirements:

7.4.1 No other environmental requirements are imposed at this time unless provided elsewhere herein or in other Loan Documents.

7.5 **NEGATIVE COVENANTS.** In addition to the negative covenants set forth in other Loan Documents, Borrower will not take any of the following actions without the prior written approval of Lender during the term of this Agreement and until all Loans are paid in full:

7.5.1 Sell Borrower's business, abandon or cease business operations, or merge or consolidate with any third party or entity.

7.5.2 Dispose of all or a substantial portion of Borrower's business assets by sale, transfer, lease, gift, abandonment or otherwise, except for sales of inventory in the ordinary course of business.

7.5.3 Obtain credit or loans from other lenders other than trade credit customary in Borrower's business.

7.5.4 Become a guarantor or surety on, or otherwise become liable for, the debts or obligations of any third party person, or any entity or firm.

7.5.5 Mortgage, pledge, lease for a period exceeding one year or otherwise make or allow the filing of a lien on any Collateral.

8. AGENCY. Each of the undersigned hereby appoints each of the other undersigned as his, her or its agent for purposes of the within obligations until written notice of termination of such agency is actually received by Lender. This Agency shall include, but not be limited to, the authority to vote all stock or participation certificates required by Lender's bylaws, request and receive Loan disbursements, and receive on behalf of all the undersigned any check, payment, document or notice given in connection with this Agreement or any Loan.

9. INSPECTION AND ACCESS. While this Agreement is in effect Borrower will: (a) at Lender's request, furnish information to Lender relating to Borrower's business and financial affairs, (b) permit Lender to examine Borrower's books and records; and (c) allow Lender to inspect and appraise Lender's Collateral at reasonable times and places.

10. REQUIRED ACTIONS. While this Agreement is in effect Borrower will: (a) maintain all other Loans with Lender in a current status; (b) comply with all terms and conditions of all other documents executed in connection with this Agreement; and (c) execute, deliver, file and or record such documents or instruments, or take such other actions, as may be reasonably required by Lender to effectuate the intention of this transaction, or to assure the enforceability and collectability of the Indebtedness, Note or any Security Instrument, Loan Document or lien, or to otherwise protect or enforce the rights of Lender thereunder.

11. MISCELLANEOUS COSTS. Lender may, but is not required to pay: (a) the cost of any services requested by Borrower and rendered by or through Lender such as credit life insurance or crop or property insurance; (b) any amounts required to satisfy taxes, assessments or liens on the Collateral, to maintain insurance, or to perform any other obligation under this Agreement or other Loan Documents; (c) all costs and expenses, including attorneys' fees, incurred in connection with the preparation, execution, or administration of any Loan; (d) any bill of sale, sight or expense drafts drawn by Borrower and presented to Lender for payment of purchases or expenses authorized by Lender; and (e) charges by suppliers of goods or services included in any budget for which Borrower borrows funds hereunder. Lender may, at its option, add such amounts to any portion of the Loan, and charge interest on such amounts at the interest rate applicable to the Loan.

12. TRANSFER BY LENDER. Lender may sell, transfer or assign this Agreement or any portion thereof, and deliver to the transferee(s) ("**Holder**") all or any portion of the property then held by it as security hereunder, and the Holder shall thereupon become vested with all the power and rights herein given to Lender with respect thereto and at such time the term "Lender" as herein used shall be deemed to mean and include the "Holder"; and Lender shall thereafter be forever relieved and fully discharged from any and all liability or responsibility to Borrower, but

Lender shall retain all rights and powers hereby given with respect to property not so transferred, sold or assigned.

13. FEES AND CHARGES OF ATTORNEYS AND OTHERS. In the event that Lender utilizes the services of attorneys, accountants, appraisers, consultants, or other professional or outside assistance, including the services of in-house counsel or any other attorney or professional who is an employee of Lender, the reasonable amount of fees, costs and expenses ("**Expenses**") incurred by Lender to utilize such persons in connection with any of the following shall be payable by Borrower on demand and Lender may, at its option, add the amount of such Expenses to any portion of the Indebtedness, plus an appropriate amount of stock or participation certificates required as required by federal law or regulation or Lender's bylaws, and charge interest on such amount at the interest rate applicable to such portion of the Indebtedness:

(a) The preparation, modification or enforcement of this Agreement and any other agreement or Loan Document incident to the Indebtedness or to the Collateral;

(b) Advising Lender concerning its legal rights and obligations with regard to this Agreement and any other agreement or Loan Document incident to the Indebtedness, or to the Collateral, including advising Lender with regard to the extent of Lender's rights, if any, under the provisions of the Farm Credit Act of 1971, as amended, Farm Credit Administration regulations, any policy or program of Lender, or any other state or federal law;

(c) Any litigation, dispute, proceeding, or action (whether terminated or dismissed prior to judgment, reduced to judgement or otherwise finally resolved), and whether instituted by Lender, Borrower or any other person, relating to this Agreement, the Indebtedness or any Loan, any other Loan Document, the Collateral or Borrower's affairs;

(d) The furtherance of Lender's interest in any bankruptcy, insolvency, or reorganization case or proceeding instituted by or against Borrower, including any steps to (i) modify or terminate the automatic stay, (ii) prohibit or condition Borrower's use of cash Collateral, (iii) object to any disclosure statement or plan, (iv) propose or confirm a plan, and (v) prosecute or defend adversary proceedings or contested matters, and take or defend examinations or discovery, whether or not related to any adversary proceeding or contested matter, whether terminated or dismissed prior to judgment, reduced to judgement or otherwise finally resolved;

(e) The inspection, verification, protection, collection, processing, sale, liquidation, or disposition of the Collateral; and

(f) Any of the type of Expenses referred to in (a) through (e) above incurred by Lender in connection with any guaranty of the Indebtedness.

The Expenses described herein and elsewhere in this Agreement shall be in addition to those set forth in any Security Instrument, other Loan Document or any other written agreement between Lender and Borrower.

14. TRANSACTION SUMMARY. All disbursements and repayments shall be posted on Lender's accounting records. In its sole discretion, Lender may apply any payment received from or on behalf of Borrower and any proceeds of Collateral to interest, principal, or any part of the Indebtedness. Any payment received by Lender after Lender has closed its books for the day will be applied on the next business day. Periodically, Lender shall send Borrower a transaction summary, statement or a similar loan accounting. If Borrower fails to object to this accounting in writing within 30 days of its mailing by Lender, Borrower shall have waived any right to object to the accounting's accuracy and the accounting may be admitted into evidence by Lender to establish the balance due Lender in any legal proceeding arising between the parties.

15. NOTICES. Borrower shall promptly give written notice to Lender of: (a) any enforcement action brought against Borrower by any governmental regulatory body or law enforcement authority or any dispute between Borrower and any such authority or body; (b) any pending or threatened litigation or court proceeding brought against Borrower; (c) the death or disability of any Borrower or guarantor; (d) any material adverse change in Borrower's business or financial condition; (e) the occurrence of any default or Event of Default, or any event that with a lapse of time or the giving of notice or both would become a default or an Event of Default under any obligation of Borrower to Lender or in which Lender has an interest; (f) any change in management or ownership of Borrower's business or operations; (g) any default on loans or credit arrangements with any other creditors; (h) any location change or new location of Borrower's office or site of operation; (i) any change to an out of state location for any Collateral; and (j) restriction, suspension, revocation or other change in any permit(s), license(s) or authority(ies) required to conduct Borrower's business.

16. LOAN CHARGES. If a law, which applies to this Agreement or any Loan and which sets maximum loan charges, is finally interpreted so that the interest or other loan charges collected or to be collected in connection with this Agreement exceed the permitted limits, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any sums already collected which exceeded permitted limits will be refunded to Borrower, without interest thereon. Lender may choose to make this refund by reducing the principal Borrower owes under this Agreement or by making a direct payment to Borrower. If a refund reduces principal, the reduction will be treated as a partial prepayment.

17. BORROWER'S AUTHORITY. By signing this Agreement, Borrower warrants that Borrower has legal authority to enter into this transaction; that the terms and conditions of this Agreement, any other Loan Document and Security Instrument executed in connection herewith are legally binding on Borrower and do not contravene the terms and conditions of any other contract(s) of Borrower; that Borrower's representations in connection with this Agreement are true and accurate; that Borrower is not involved in, and has no expectations of involvement in, any legal action that might impair Borrower's financial condition or ability to continue business, and that Borrower is qualified and/or licensed to do business in all states requiring Borrower to be so qualified or licensed.

18. OBLIGATIONS OF PERSONS UNDER THIS AGREEMENT. The liability of each Borrower executing this Agreement shall be that of co-maker and not that of an endorser, guarantor or accommodation party and shall be joint and several. The separate and community property of any married person executing this Agreement shall be liable for the Indebtedness evidenced hereby.

19. SPECIFIC WAIVERS OF EACH BORROWER. The Loan Indebtedness of each Borrower is independent of the Loan Indebtedness of all other Borrowers. Each Borrower expressly waives any right to require Lender to proceed against any other Borrower, to proceed against or exhaust any Collateral, to pursue any remedy Lender may have at any time, and the benefit of any statute of limitations affecting its liability under this Agreement or any other Loan Document. Each Borrower waives any and all defenses by reason of (a) any disability or other defense of any other Borrower with respect to the Indebtedness owed to Lender, (b) the termination for any reason whatsoever of the liability of any other Borrower, (c) any act or omission of Lender that directly or indirectly results in or aids the discharge or release of any other Borrower, any guarantor, or any security provided by any Borrower or guarantor, (d) the failure by Lender to perfect any security interest or lien on any Collateral, and (e) an election of remedies by Lender, even though that election of remedies, such as a nonjudicial foreclosure with respect to security for this Agreement, has destroyed Borrower's rights of subrogation, contribution, reimbursement, indemnity, set off, or other recourse against another Borrower by the operation of Section 580d of the California Code of Civil Procedure or otherwise or under similar laws in other jurisdictions.

19.1 BORROWER FURTHER AGREES. Each Borrower agrees that Lender may at any time, without notice, release all or any part of the Collateral securing the Indebtedness (including all or any part of the premises covered by any mortgage or deed of trust), grant extensions, change terms of payment, deferments, renewals or reamortizations of any part of the Indebtedness, and release from personal liability any one or more of the parties who are or may become liable for the Indebtedness; all without affecting the personal liability of any other party. Borrower also severally waives any and all other defense or right of offset against the Holder hereof. No Borrower shall have any right of subrogation, contribution, reimbursement, indemnity, set off, or other recourse and waives the benefit of, or any right to participate in, any Collateral until such time as all of the obligations owed by Borrower to Lender under this Agreement shall have been paid in full. Each Borrower, to the extent it may lawfully do so, waives any defense under California anti-deficiency statutes, or comparable provisions of the laws of any other state to the recovery of a deficiency after a foreclosure sale of such property.

19.2 BORROWER FURTHER REPRESENTS AND WARRANTS. Each Borrower represents and warrants to Lender that it has established adequate means of obtaining from each other Borrower, on a continuing basis, information pertaining to the businesses, operations and conditions (financial or otherwise) of each other Borrower and its properties, and each Borrower now is and will be familiar with the businesses, operations and conditions (financial or otherwise) of each other Borrower and its properties. Each Borrower waives and relinquishes any duty on the part of Lender (if such duty exists) to disclose to any Borrower any matter, fact or

thing related to the businesses, operations, or conditions (financial or otherwise) of any other Borrower or its properties. Without limiting the generality of the foregoing, each Borrower waives any defenses or rights arising under or of the kind described in California Civil Code sections 2795, 2808, 2809, 2810, 2815, 2819 through 2825 (inclusive), 2832, 2839, and 2845 through 2850 (inclusive) and similar laws in other jurisdictions.

20. NO ORAL AGREEMENTS. The representatives of Lender are not authorized to make any oral agreements or assurances. Do not sign this Agreement if you believe that there are any agreements or understandings between you and Lender that are not set forth in writing in this Agreement or the other Loan Documents.

21. SUCCESSORS AND ASSIGNS. This Agreement, any Supplement and all other Loan Documents are binding on Borrower's and Lender's successors and assignees. Borrower shall not assign this Agreement any Loan or Loan Document without Lender's prior written consent. Lender may sell participations in or assign this Agreement, and may exchange financial information about Borrower with actual or potential participants or assignees. If a participation is sold or the Agreement is assigned, the purchaser will have the right of set-off against Borrower.

22. SEVERABILITY; COUNTERPARTS. If one or more of the provisions of this Agreement, any Security Instrument or any other Loan Documents should be deemed or held to be invalid, illegal, unenforceable or against public policy in any respect, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired. To the extent any waiver of a right by Borrower hereunder may be contrary to applicable law, such waiver shall be deemed made to the extent allowed by such law. To the extent Nevada law applies, Borrower does not waive any right relating to the sale of real property provided under Nevada law. This Agreement may be signed in one or more counterparts which shall constitute one and the same Agreement.

23. CAPTIONS. Captions used in this Agreement are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope or intent of any term or provision. As used herein, the word "including" means "including without limitation" and/or "including but not limited to".

24. APPLICABLE LAW. This Agreement and any other Loan Document shall be governed by federal law, to the extent applicable, and shall otherwise be governed by the laws of the state specified in the address of Lender, on page 1. Any Loan Document specifying governing laws of a different state shall be governed thereby.

25. ENTIRE AGREEMENT; AMENDMENTS MUST BE IN WRITING. This Agreement and all other Loan Documents constitute the entire agreement between the Parties on the subject matter hereof; superseding all prior negotiations, communications, discussions, oral agreements, and promises concerning the Indebtedness or any Loan. This Agreement does not supersede any Loan Document(s) pertaining to other outstanding loan(s) of Borrower with Lender except as specified herein. This Agreement may be amended or modified only by a written instrument executed by Lender and Borrower.

Signatures on following page

This Agreement may be executed by Borrowers in counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

Signature(s):

Windfall Investors, LLC, a California Limited Liability Company

By: Windfall, LLC, a California Limited Liability Company, Manager/Member

By: ______________________________
Dwain A. Davis, Manager

By: Limoneira Company, a Delaware Corporation, Member

By:
Harold S. Edwards, President

By:
Don Delmatoff, Secretary

This Agreement may be executed by Borrowers in counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

Signature(s):

Windfall Investors, LLC, a California Limited Liability Company

By: Windfall, LLC, a California Limited Liability Company, Manager/Member

By: ______________________
Dwain A. Davis, Manager

By: Limoneira Company, a Delaware Corporation, Member

By: ______________________
Harold S. Edwards, President

By: ______________________
Don Delmatoff, Secretary

#2

Filing Ref.:	Windfall Investors, LLC, a California Limited Liability Company	Loan Number: 3821200 Customer Number: 1700212664

PROMISSORY NOTE AND LOAN AGREEMENT

This "Promissory Note and Loan Agreement" ("Note") is entered into as of **September 23, 2005**, between the Lender and Borrower identified below.

1. **PROMISE TO PAY.** For value received the undersigned (collectively, "**Borrower**") as principals, jointly and severally, promise to pay to the order of Farm Credit West, FLCA ("**Lender**"), a corporation organized and existing under the laws of the United States of America, with its office at 1948 Spring Street, P.O. Box 1557, Paso Robles, CA, 93447 or at such other place as may be designated in writing by Lender, the principal sum of **$9,750,000.00** (Nine Million Seven Hundred Fifty Thousand Dollars and Zero Cents) together with interest as specified in this Note below. "**Indebtedness**" (also called a "**Loan**" or "**Account**" herein) means principal, interest and all other sums owed hereunder of whatever kind evidenced by this Note. All Indebtedness owed hereunder shall be payable only in lawful money of the United States of America.

2. **PAYMENTS.** Principal and Interest Shall Be Payable To Lender as Follows:

   One (1) installment of interest in the amount billed and principal in the amount of **$10,671.93**, to be made on **November 01, 2005. Three Hundred Fifty-eight (358) Monthly** installments of principal and interest, in the amount of **$55,359.43**, beginning on **December 01, 2005**, plus a final installment of any amount necessary to pay the Indebtedness in full.

   This Note is due and payable in full on **October 01, 2035 ("Maturity Date")**, at which time Borrower shall pay all unpaid sums of whatever kind as evidenced by this Note and related Loan Documents, including the unpaid principal balance and all accrued interest in full.

   At Lender's option, a change in the interest rate or an advance may either increase or decrease one or more of the following: the amount of each installment due, the amount of the final installment (resulting in a final installment due at the Maturity Date which may be greater than any previous installments) or the total number of installments due. Lender may apply any payment received from or on behalf of Borrower and any proceeds of Collateral, as defined herein, to principal, interest, or any part of the Indebtedness as Lender, in its sole discretion, may choose. Any payment received by Lender after Lender has closed its books for the day will be applied on the next business day.

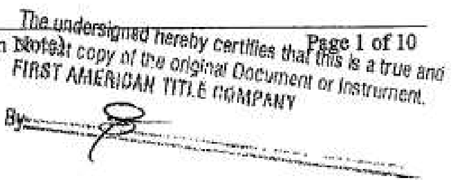
3. **INTEREST.**

   3.1 **INITIAL INTEREST RATE.** The interest rate applicable to the Note is a Variable Interest Rate ("**Variable Interest Rate**") and shall change in accordance with Sections 3.2 through 3.3 below. Interest shall accrue at the Variable Interest Rate as established by Lender for the interest rate group to which this Note is assigned.

   Interest will be charged on the entire unpaid principal balance of this Note, including payments not made when due and any other sums owing hereunder. Interest charged hereunder, including any acceleration interest rate described in Section 5.2 below, all late charges, default interest and other charges described in Section 4 below, and all other amounts charged hereunder, shall not be limited by the laws of any state, including any state laws relating to a legal rate or other interest rate, but shall be governed solely by applicable federal laws.

   Interest will be calculated on the basis of a 360-day year and a 30-day month. Interest charges will begin on the date Lender disburses principal and continue until the Indebtedness is paid in full with interest. On the date Lender disburses the Loan, interest will be at an annual rate of **5.50%** ("**Initial Interest Rate**").

   3.2 **CHANGE IN INTEREST RATE AND INTEREST RATE GROUP.** The Variable Interest Rate



applicable to this Note may be adjusted automatically as of the first day of any month to the rate then made applicable to the Note's assigned interest rate group under the provisions of Lender's Variable Interest Rate plan in effect at that time.

In adjusting the rate, Lender considers certain standard factors set forth in the plan, including but not limited to, changes in its costs of funds, operating expenses, earnings requirements to meet certain capital objectives, credit risk factors, and the competitive environment, which factors may change during the term of the Note.

Borrower understands and agrees that (a) the interest rate group to which this Note is assigned may be changed at any time to any other interest rate group based on Lender's evaluation of the change in Borrower's credit quality, quality of collateral, costs of servicing the loan, and other factors which are set forth in Lender's interest rate plan in effect at that time; and (b) the interest rate group may be automatically adjusted to the highest interest rate group if a default shall occur under this Note or under any other note or agreement between Borrower and Lender.

3.3 **NOTICE.** If Lender changes Borrower's Variable Interest Rate, Lender will give Borrower notice of such rate change to the extent required by and in accordance with the then applicable law.

4. **LATE CHARGES FOR OVERDUE PAYMENTS.** Any installment of principal or interest not received by Lender by the end of the fifteenth (15th) calendar day after the date it is due shall bear interest from such due date until such amount is fully paid at the interest rate in effect at that time plus **4.00%** per annum. If the interest rate and/or the rate group assignment (if applicable) is increased or decreased, the late charge rate shall be likewise adjusted.

5. **DEFAULT.** Borrower is in default on this Note under any one or more of the following circumstances: (a) Borrower fails to pay when due principal, interest or other sums as set forth in this Note or any other Loan Document; (b) Borrower is declared to be in default on any other loan or obligation of Borrower to Lender or in which Lender has an interest, or Borrower breaches any term, condition or representation in this Note or in any other Loan Document in connection with this Note or in connection with any other loan of this Lender, or any other lender, including but not limited to any other Farm Credit lender; (c) any of Borrower's representations to this or any other lender in connection with any loan are materially false or misleading; (d) Lender determines that Borrower is unable to repay the sums owed Lender under this Note as agreed, or Lender in good faith otherwise deems itself insecure; (e) Lender's reasonable determination that a material adverse change has occurred in the financial condition of Borrower or in the value of the Collateral; (f) Borrower's death, dissolution, incapacity or termination of existence; (g) Borrower's insolvency, business failure, application for or consent to appointment of a receiver/custodian or trustee for itself or any of its assets, assignment to an agent authorized to liquidate any substantial amount of assets, assignment for the benefit of creditors by, or commencement of any proceeding under any bankruptcy or insolvency law by or against Borrower, or any guarantor, endorser, or surety for Borrower; (h) any judgment, writ, levy, lien, attachment, notice of tax lien, tax lien, or similar process is entered or filed against Borrower, any guarantor or any of Borrower's or any of guarantor's properties and is not vacated, bonded, or stayed to the satisfaction of Lender; (i) a default occurs under any guaranty given to Lender in connection with this Note, or any guarantor shall purport to terminate, repudiate or contest any such guaranty; any guarantor who is a natural person shall die; or any guarantor that is not a natural person shall be dissolved or terminated; or (j) Borrower sells, leases, conveys, alienates, or transfers, or enters into any agreement for the sale, lease, conveyance, alienation, transfer or nonuse of any water, water rights or "Water Asset", as such may be defined in any deed of trust, mortgage, security agreement or other agreement relating to the pledge of water or water rights.

5.1 **REMEDIES.** If a default shall occur, Lender shall have all rights, powers and remedies available under this Note or any other Loan Document, or accorded by law or at equity, including the right to

foreclose on any and all Collateral and to exercise any or all of the rights of a mortgagee, trust deed beneficiary, or secured party pursuant to applicable law. One of Lender's remedies hereunder shall include Lender's right to immediately terminate Borrower's right to make draws, with or without notice to Borrower. All rights, powers, and remedies of Lender may be exercised at any time by Lender and from time to time after the occurrence of a default. All rights, powers, and remedies of Lender in connection with this Note and any other Loan Document are cumulative and not exclusive and shall be in addition to any other rights, powers, or remedies provided by law or equity. Lender may enforce any security interest or lien given or provided for under this Note or any other Loan Document in such manner and in such order, as to all or any part of the Collateral as Lender, in its sole judgment, deems to be necessary or appropriate. Borrower, to the extent Borrower can, waives any and all rights, obligations, or defenses now or hereafter established by law relating to the foregoing. The mortgage, deed of trust or other Security Instrument provides that advances made by Lender shall become a part of the principal evidenced by this Note, and also states additional conditions under which the entire Note may be accelerated and become immediately due and payable and will be subject to interest and acceleration interest.

5.2 **ACCELERATION AND INTEREST UPON ACCELERATION.** On Borrower's default, and at Lender's option, all unpaid principal, including amounts advanced for taxes, insurance, and other expenses provided herein, accrued unpaid interest and amounts charged in Section 4, shall become immediately due and payable without presentment, demand, notice of non-payment, or protest. Interest on said accelerated amount shall be **4.00%** per annum above the interest rate provided for in Section 3 above.

5.3 **WAIVER.** Any delay, failure or discontinuance of Lender in exercising any right or remedy shall not waive that right or remedy or any other right or remedy. Any explicit waiver of default by Lender must be in writing and signed by Lender. No waiver of default by Lender shall operate as a waiver of any other default or of the same default on a future occasion.

6. **PREPAYMENT; REAMORTIZATION; REFINANCE; INTEREST RATE CONVERSION.** A payment, in any amount, made in advance of the scheduled payment date is a "**prepayment.**" If Borrower, in making a prepayment, intends the prepayment to be applied to reduce the principal balance of the Note, Borrower must so inform Lender in writing accompanying the prepayment. Unless agreed to in writing otherwise, Lender may apply all prepayments in such manner as Lender, in its sole discretion, may determine. Borrower may make a full or partial prepayment on any business day without paying a prepayment fee.

Upon the making of a partial prepayment, Borrower may request to have the amount of future installments reamortized over the remaining term of the Loan, but only if Borrower so notifies Lender at the time Borrower makes the partial prepayment and only if, upon Lender's approval of the request, Borrower pays to Lender any fees and costs that Lender may charge for such reamortization.

Lender may from time to time offer other loan or interest rate products for which Borrower qualifies. Borrower acknowledges that it may not refinance or convert this Note to another loan or interest rate product with Lender unless Borrower qualifies for such loan or product and pays to Lender any fees and costs that Lender may charge for such refinance or conversion.

LOAN AGREEMENT

7. **BORROWER'S REPRESENTATIONS AND WARRANTIES.** In addition to the representations and warranties described in other Loan Documents, Borrower makes the following representations and warranties to Lender which remain in effect until all Indebtedness subject to this Agreement is repaid in full:

7.1 **FINANCIAL STATEMENTS.** All financial statements and other information both previously and

hereafter furnished by Borrower to Lender are accurate in every material respect; there has not been any material adverse change in the financial condition of Borrower since the date of the last financial statement provided; Borrower has no material liabilities, fixed or contingent, which are not fully shown or provided for in the said financial statements as of the date thereof.

7.2 **PROFIT AND LOSS INFORMATION.** All submitted profit and loss information is accurate and complete.

7.3 **SOLVENCY.** Borrower has sufficient capital to carry on the business and is solvent and able to pay debts as they mature, and Borrower is generally paying such debts. Borrower owns property the fair market value of which exceeds the dollar amount required to pay Borrower's debts.

7.4 **COMPLIANCE WITH LOAN TERMS.** Borrower is performing on, or is in compliance with, all terms of all Borrower's other loans and obligations to all other creditors, if any, and all loans and obligations to Lender, whether or not subject to this Note.

7.5 **LEGAL ENTITY WARRANTY AND CERTIFICATION.** If Borrower is a legal entity, Borrower (and any person signing this Note in a representative capacity on behalf of Borrower) represents, warrants and certifies that Borrower is duly constituted under applicable laws and in good standing; that Borrower has the power, authority, and appropriate authorization to enter into this Loan, the Note, all Security Instruments and any other Loan Document in connection with this Note; that when executed this Note, all Security Instruments and any other Loan Document in connection with this Note shall be valid and legally binding on Borrower. If the Borrower is a trust, each trustee executing this Note on behalf of the trust also represents, warrants and certifies that this Note, all Security Instruments and other Loan Documents are being executed by all the currently acting trustees of the trust and that the trust has not been revoked, modified, or amended in any manner which would cause any of the foregoing to be incorrect.

8. **SPECIAL LOAN CONDITIONS, COVENANTS AND REQUIREMENTS.** Borrower covenants and agrees with Lender as follows:

8.1 **FINANCIAL PERFORMANCE.**

8.1.1 No other financial performance covenants are imposed at this time unless provided elsewhere herein or in other Loan Documents.

8.2 **INSURANCE.** In addition to the insurance requirements described in other Loan Documents, Borrower shall provide, maintain and deliver to Lender, fire and extended coverage, flood and any and all other types of insurance in terms and amounts as may be required by law or Lender from time to time, with loss payable endorsements solely in favor of Lender or, for real property secured loans, naming Lender as mortgagee.

8.3 **FINANCIAL INFORMATION.** At Lender's request, Borrower shall provide to Lender financial information in a form acceptable to Lender, including, when so required, a current balance sheet and income statement. In the case of multiple Borrowers, financial information must be provided for each Borrower as requested by Lender.

8.3.1 Financial information shall be provided at such times during the term of this Agreement as Lender may request.

8.4 **NEGATIVE COVENANTS.** In addition to the negative covenants set forth in other Loan Documents, Borrower will not take any of the following actions without the prior written approval of Lender during the term of this Agreement and until all Loans are paid in full:

8.4.1 Sell Borrower's business, abandon or cease business operations, or merge or consolidate with any third party or entity.

8.4.2 Dispose of all or a substantial portion of Borrower's business assets by sale, transfer, lease, gift, abandonment or otherwise, except for sales of inventory in the ordinary course of business.

8.4.3 Obtain credit or loans from other lenders other than trade credit customary in Borrower's business.

8.4.4 Become a guarantor or surety on, or otherwise become liable for, the debts or obligations of any third party person, or any entity or firm.

8.4.5 Mortgage, pledge, lease for a period exceeding one year or otherwise make or allow the filing of a lien on any Collateral.

8.5 **ENVIRONMENTAL.** In addition to the environmental requirements described in other Loan Documents, Borrower shall comply with the following additional requirements: No other environmental requirements are imposed at this time unless provided elsewhere herein or in other Loan Documents.

9. **SECURITY.** This is a secured Note. **"Collateral"** means all real and personal property securing this Note. **"Security Instrument"** means any deed of trust, mortgage, security agreement or other Loan Document granting Lender a lien on, or security interest in, any real or personal property as security for this Note. The terms of all Security Instruments securing this Note are hereby incorporated by reference as a part of this Note as if fully set forth herein. **"Loan Document"** means this Note, and any loan agreement, guaranty, Security Instrument, and any and all other writings or agreements executed in connection with the loan or this Note, and all amendments, modifications, and restatements thereof.

10. **AGENCY.** Each of the undersigned hereby appoints each of the other undersigned as his, her or its agent for purposes of the within obligations until written notice of termination of such agency is actually received by Lender. This Agency shall include, but not be limited to, the authority to vote all stock or participation certificates required by Lender's bylaws, request and receive Loan disbursements, and receive on behalf of all the undersigned any check, payment, document or notice given in connection with this Note or any Loan.

11. **INSPECTION AND ACCESS.** While this Note is in effect Borrower will: (a) at Lender's request, furnish information to Lender relating to Borrower's business and financial affairs, (b) permit Lender to examine Borrower's books and records; and (c) allow Lender to inspect and appraise Lender's Collateral at reasonable times and places.

12. **REQUIRED ACTIONS.** While this Note is in effect Borrower will: (a) maintain all other loans with Lender in a current status; (b) comply with all terms and conditions of all Loan Documents executed in connection with this Note; and (c) execute, deliver, file and or record such documents or instruments, or take such other actions, as may be reasonably required by Lender to effectuate the intention of this transaction, or to assure the enforceability and collectability of the Indebtedness, Note or any Security Instrument, Loan Document or lien, or to otherwise protect or enforce the rights of Lender thereunder.

13. **TRANSFER BY LENDER.** Lender may sell, transfer or assign this Note or any portion thereof, and deliver to the transferee(s) (**"Holder"**) all or any portion of the property then held by it as security hereunder. The Holder shall thereupon become vested with all the power and rights herein given to Lender with respect thereto, and at such time the term "Lender" as herein used shall be deemed to mean and include the Holder. Lender shall thereafter be forever relieved and fully discharged from any and all liability or responsibility to Borrower, but Lender shall retain all rights and powers hereby given with respect to property not so transferred, sold or assigned.

14. **FEES AND CHARGES OF ATTORNEYS AND OTHERS.** In the event that Lender utilizes the services of attorneys, accountants, appraisers, consultants, or other professional or outside assistance, including the services of in-house counsel or any other attorney or professional who is an employee of Lender, the reasonable amount of fees, costs and expenses incurred by Lender to utilize such persons in connection with any of the following shall be payable by Borrower on demand and Lender may, at its option, add the amount

of such Expenses to any portion of the Note, and charge interest on such amount at the interest rate applicable to such portion of the Note:

(a) The preparation, modification or enforcement of this Note and any other agreement or Loan Document incident to the Note or to the Collateral;

(b) Advising Lender concerning its legal rights and obligations with regard to this Note and any other agreement or Loan Document incident to the Note, or to the Collateral, including advising Lender with regard to the extent of Lender's rights, if any, under the provisions of the Farm Credit Act of 1971, as amended, Farm Credit Administration regulations, any policy or program of Lender, or any other state or federal law;

(c) Any litigation, dispute, proceeding, or action (whether terminated or dismissed prior to judgment, reduced to judgement or otherwise finally resolved), and whether instituted by Lender, Borrower or any other person, relating to this Note, any other Loan Document, the Collateral or Borrower's affairs;

(d) The furtherance of Lender's interest in any bankruptcy, insolvency, or reorganization case or proceeding instituted by or against Borrower, including any steps to (i) modify or terminate the automatic stay, (ii) prohibit or condition Borrower's use of cash collateral, (iii) object to any disclosure statement or plan, (iv) propose or confirm a plan, and (v) prosecute or defend adversary proceedings or contested matters, and take or defend examinations or discovery, whether or not related to any adversary proceeding or contested matter, whether terminated or dismissed prior to judgment, reduced to judgement or otherwise finally resolved;

(e) The inspection, verification, protection, collection, processing, sale, liquidation, or disposition of the Collateral; and

(f) Any of the type of Expenses referred to in (a) through (e) above incurred by Lender in connection with any guaranty of the Note.

The Expenses described herein and elsewhere in this Note shall be in addition to those set forth in any Security Instrument or other Loan Document between Lender and Borrower.

15. **TRANSACTION SUMMARY.** All disbursements and repayments of Indebtedness shall be posted on Lender's accounting records. Periodically, Lender shall send Borrower a transaction summary, statement or a similar loan accounting. If Borrower fails to object to the accounting in writing within 30 days of its mailing by Lender, Borrower shall have waived any right to object to the accuracy of the accounting and the accounting may be admitted into evidence by Lender for the purpose of establishing the balance due Lender in any legal proceeding arising between the parties.

16. **NOTICES.** Borrower shall promptly give written notice to Lender of: (a) any enforcement action brought against Borrower by any governmental regulatory body or law enforcement authority or any dispute between Borrower and any such authority or body; (b) any pending or threatened litigation or court proceeding brought against Borrower; (c) the death or disability of any Borrower or guarantor; (d) any material adverse change in Borrower's business or financial condition; (e) the occurrence of any default or any event that with a lapse of time or the giving of notice or both would become a default under any obligation of Borrower to Lender or in which Lender has an interest; (f) any change in management or ownership of Borrower's business or operations; (g) any default on loans or credit arrangements with any other creditors; (h) any location change or new location of Borrower's office or site of operation; (i) any change to an out of state location for any Collateral; and (j) restriction, suspension, revocation or other change in any permit(s), license(s) or authority(ies) required to conduct Borrower's business.

17. **LOAN CHARGES.** If a law, which applies to this Note and which sets maximum loan charges, is finally interpreted so that the interest or other loan charges collected or to be collected in connection with this Note exceed the permitted limits, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any sums already collected which exceeded permitted limits will be refunded to Borrower, without interest thereon. Lender may choose to make this refund by reducing

the principal Borrower owes under this Note or by making a direct payment to Borrower. If a refund reduces principal, the reduction will be treated as a partial prepayment.

18. **DISCLOSURE AND INQUIRIES.** By signing this Note, Borrower agrees that Lender may disclose financial information to other Farm Credit System institutions. Borrower further authorizes Lender from time to time, to make such inquiries and gather such information as Lender deems necessary and reasonable to administer the Loan. Lender is also authorized from time to time to make credit inquiries, verify credit, verify employment, and obtain credit agency reports regarding Borrower and Borrower's business.

19. **BORROWER'S AUTHORITY.** By signing this Note, Borrower warrants that Borrower has legal authority to enter into this transaction, that the terms and conditions of this Note and any Security Instrument executed in connection herewith do not contravene the terms and conditions of any other contract(s) of Borrower, that Borrower's representations in connection with this Loan are true and accurate, and that Borrower is not involved in, and has no expectations of involvement in, any legal action that might impair Borrower's financial condition or ability to continue business.

20. **HAZARDOUS SUBSTANCE INDEMNITY.** Borrower indemnifies and agrees to hold Lender harmless from any losses or damages suffered by Lender that arise from the release, threatened release, discharge, manufacture, use, storage, transportation or presence of any hazardous substance in connection with the business of Borrower or on any real property owned or occupied by Borrower, whether pledged as security for this Note or not. The indemnity covers the officers, directors, agents, and attorneys of Lender and extends to attorneys' fees and other costs and expenses incurred by Lender in connection with the foregoing. The term **"hazardous substance"** shall mean any material or substance which is now or hereafter considered hazardous or toxic or subject to any other deleterious classification under any federal, state, or local law. NOTWITHSTANDING ANY OTHER PROVISION OF THIS NOTE OR THE OTHER LOAN DOCUMENTS, THIS INDEMNITY SHALL SURVIVE REPAYMENT OF THE LOAN.

21. **OBLIGATIONS OF PERSONS UNDER THIS NOTE.** The liability of each Borrower executing this Note shall be that of co-maker and not that of an endorser, guarantor or accommodation party and shall be joint and several. The separate property of any married person executing this Note shall be liable for the Loan and Indebtedness evidenced hereby.

22. **SPECIFIC WAIVERS OF EACH BORROWER.** The indebtedness of each Borrower is independent of the indebtedness of all other Borrowers. Each Borrower expressly waives any right to require Lender to proceed against any other Borrower, to proceed against or exhaust any collateral, to pursue any remedy Lender may have at any time, and the benefit of any statute of limitations affecting its liability under this Note or any other Loan Document. Each Borrower waives any and all defenses by reason of: (a) any disability or other defense of any other Borrower with respect to the Indebtedness owed to Lender, (b) the termination for any reason whatsoever of the liability of any other Borrower, (c) any act or omission of Lender that directly or indirectly results in or aids the discharge or release of any other Borrower, any guarantor, or any security provided by any Borrower or guarantor, (d) the failure by Lender to perfect any security interest or lien on any collateral, and (e) an election of remedies by Lender, even though that election of remedies, such as a non-judicial foreclosure with respect to security for this Note, has destroyed Borrower's rights of subrogation, contribution, reimbursement, indemnity, set off, or other recourse against another Borrower by the operation of Section 580d of the California Code of Civil Procedure or otherwise or under similar laws in other jurisdictions.

    22.1 **BORROWER FURTHER AGREES.** Each Borrower agrees that Lender may at any time, without notice, release all or any part of the security for this Note (including all or any part of the premises covered by any mortgage or deed of trust), grant extensions, change terms of payment, deferments, renewals or reamortizations of any part of the debt evidenced by this Note, and release from personal liability any one or more of the parties who are or may become liable for this debt; all without affecting the personal liability of any other party. Borrower and endorsers of this Note also severally waive any

and all other defenses or right of offset against the Holder hereof. No Borrower shall have any right of subrogation, contribution, reimbursement, indemnity, set off, or other recourse and waives the benefit of, or any right to participate in, any collateral until such time as all of the obligations owed by Borrower to Lender under this Note shall have been paid in full. Each Borrower, to the extent it may lawfully do so, waives any defense under California anti-deficiency statutes, or comparable provisions of the laws of any other state to the recovery of a deficiency after a foreclosure sale of such property.

22.2 **BORROWER FURTHER REPRESENTS AND WARRANTS.** Each Borrower represents and warrants to Lender that it has established adequate means of obtaining from each other Borrower, on a continuing basis, information pertaining to the businesses, operations and conditions (financial or otherwise) of each other Borrower and its properties, and each Borrower now is and will be familiar with the businesses, operations and conditions (financial or otherwise) of each other Borrower and its properties. Each Borrower waives and relinquishes any duty on the part of Lender (if such duty exists) to disclose to any Borrower any matter, fact or thing related to the businesses, operations, or conditions (financial or otherwise) of any other Borrower or its properties. Without limiting the generality of the foregoing, each Borrower waives any defenses or rights arising under or of the kind described in California Civil Code sections 2795, 2808, 2809, 2810, 2815, 2819 through 2825 (inclusive), 2832, 2839, and 2845 through 2850 (inclusive) and similar laws in other jurisdictions.

23. **REAL ESTATE SECURED NOTE.** This Note is secured by a Security Instrument which describes how and under what conditions all amounts owed under this Note may become immediately due and payable. One of those conditions relates to any transfer of the Property covered by the Security Instrument and to certain other transfers. Refer to each Security Instrument for the specific conditions and requirements. When the Security Instrument is a Deed of Trust, the Deed of Trust provides as follows:

DUE ON SALE OR TRANSFER. In the event the herein-described Property, (including any existing or subsequently acquired or created Water Asset), or any part thereof, or any interest therein, is transferred or agreed to be transferred, without Beneficiary's prior written consent, all Indebtedness, irrespective of the maturity dates, at the option of the holder hereof, and without demand or notice, shall immediately become due and payable. As used herein, **"transferred"** means sold, conveyed, alienated, exchanged, transferred by gift, further encumbered, pledged, hypothecated, made subject to an option to purchase, or otherwise disposed of, directly or indirectly, or in trust, voluntarily or involuntarily, by Trustor or by operation of law or otherwise. Failure to exercise such option shall not constitute a waiver of the right to exercise this option in the event of subsequent transfer or subsequent agreement to transfer.

If Trustor is an entity other than a natural person (such as a corporation or other organization), then all Indebtedness, irrespective of the maturity date, at the option of Beneficiary, and without demand or notice, shall become immediately due and payable if: (a) a beneficial interest in Trustor is transferred; (b) there is a withdrawal or removal of a general partner of a partnership or a manager of a limited liability company; (c) there is a transfer in the aggregate of more than 25% of the voting stock of Trustor, if Trustor is a corporation, or there is a transfer in the aggregate of more than 25% of the partnership interests or membership interests, if Trustor is a partnership, limited liability company or similar entity; or (d) Trustor is dissolved or its existence as a legal entity is terminated.

24. **NO ORAL AGREEMENTS.** The representatives of Lender are not authorized to make any oral agreements or assurances. Do not sign this Note if you believe that there are any agreements or understandings between you and Lender that are not set forth in writing in this Note or the other Loan Documents.

25. **SUCCESSORS AND ASSIGNS.** This Note is binding on Borrower's and Lender's successors and assignees. Borrower shall not assign this Note without Lender's prior written consent. Lender may sell participations in or assign this Note, and may exchange financial information about Borrower with actual or potential participants or assignees. If a participation is sold or the Note is assigned, the purchaser will have the right of set-off against Borrower.

26. **SEVERABILITY.** If one or more of the provisions of this Note, any Security Instrument or any other Loan Documents should be deemed or held to be invalid, illegal, unenforceable or against public policy in any respect, the validity, legality, and enforceability of the remaining provisions shall not in anyway be affected or impaired. To the extent any waiver of a right by Borrower hereunder may be contrary to applicable law, such waiver shall be deemed made to the extent allowed by such law. To the extent Nevada law applies, Borrower does not waive any right relating to the sale of real property provided under Nevada law.

27. **CAPTIONS.** Captions used in this Note are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope or intent of any term or provision. As used herein, the word "**including**" means including without limitation and/or including but not limited to.

28. **APPLICABLE LAW.** Enforcement of this Note, any Security Instrument, and any other Loan Document executed in connection herewith shall be governed by and construed in accordance with federal laws to the extent applicable, and shall otherwise be governed by the laws of the state specified in the address of Lender, in Section 1, unless a Security Instrument specifies that it shall be governed by the laws of a different state, in which case the law of the state specified in the Security Instrument shall govern regarding the Security Instrument in question.

29. **ENTIRE AGREEMENT; AMENDMENTS MUST BE IN WRITING.** This Note, any Security Instrument and modifications thereof, the Notice of Loan Approval, and any other Loan Document executed by Borrower in connection herewith, constitute the entire agreement between Borrower and Lender and supersedes all prior negotiations, communications, discussions, oral agreements, and promises concerning this Loan. The Note shall not include any loan application or any written correspondence submitted by Borrower to Lender that has not been agreed to by Lender in writing. To the extent that any of the terms or provisions contained in this Note are inconsistent with those contained in the Notice of Loan Approval, or in any previous loan agreement, Security Instrument, agreement or other Loan Document executed prior to this Note, the terms and provisions contained herein shall control. Otherwise, such provisions shall be considered cumulative. This Note may be amended or modified only by a written instrument executed by Lender and Borrower. All exhibits to this Note are considered to be supplemental to and made a part of this Note.

30. **REIMBURSEMENT OF CHARGES.** If any farm credit bank or any other provider of financing or funding to Lender shall assess against Lender any fee, cost, charge, or other amount with respect to the Indebtedness, Borrower shall reimburse Lender on demand for the amount thereof, regardless of whether such assessment arose from actions taken by Borrower.

Signatures appear on the following page

BY SIGNING, BORROWER ACKNOWLEDGES THAT BORROWER HAS READ AND AGREES TO THE TERMS OF THIS NOTE, AND HAS RECEIVED A COMPLETED COPY OF THIS NOTE AND THE RELATED MORTGAGE, DEED OF TRUST OR OTHER SECURITY INSTRUMENTS WITH ALL APPLICABLE BLANKS FILLED IN PRIOR TO OR AS A PART OF THE CONSUMMATION OF THIS TRANSACTION.

This <u>Promissory Note and Loan Agreement</u> may be executed by Borrowers in counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

Signature(s):

Windfall Investors, LLC, a California Limited Liability Company

By: Windfall, LLC, a California Limited Liability Company, Manager/Member

By: ______________________
Dwain A. Davis, Manager/Member

By: Limoneira Company, a Delaware Corporation, Member

By: ______________________
Harold S. Edwards, President

By: ______________________
Don Delmatoff, Secretary

INDORSEMENT – The within Note is hereby indorsed by the payee named in the body of said Note as if the name of the payee were actually executed under the indorsement.

PAY TO THE ORDER OF U.S. AgBANK, FCB, Wichita, Kansas

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PAY TO THE ORDER OF U.S. AgBANK, FCB, Wichita, Kansas

#5

Filing Ref. : Windfall Investors, LLC	Loan / Supplement Number: 3843165/101 Customer Number: 1700212664

PROMISSORY NOTE AND SUPPLEMENT TO MASTER LOAN AGREEMENT

COPY

This Revolving Credit Facility Supplement (alternately, "**Note**" or "**Supplement**") to a Master Loan Agreement dated **September 23, 2005 ("MLA")**, is established as of **September 23, 2005,** between the undersigned Borrower and Lender identified herein.

1. PROMISE TO PAY. For value received, the undersigned (collectively, "**Borrower**") as principals jointly and severally promise to pay to the order of **Farm Credit West, PCA** ("**Lender**"), a corporation organized and existing under the laws of the United States of America, with its office at **2031 Knoll Drive, P.O. Box 6070, Ventura, CA, 93006** or at such other place as may be designated in writing by Lender, the principal sum of **$8,000,000.00** (Eight Million Dollars and Zero Cents) ("**Commitment**"), or so much of that sum as may be advanced or readvanced by Lender from time to time, together with interest on the unpaid principal balance as specified in Section 3 below. All defined terms used in this Supplement shall have the same meaning as set forth in the MLA. All Indebtedness owed hereunder shall be payable only in lawful money of the United States of America.

1.1 REVOLVING CREDIT FACILITY. On the terms and conditions in the MLA and this Supplement, Lender agrees to make available to Borrower during the Draw Period a revolving line of credit in a principal amount not to exceed, at any one time outstanding, the Commitment or the borrowing base or other guidelines where applicable, whichever is less. Within the limits of the Commitment, as amounts drawn under the revolving line of credit are repaid, they may be reborrowed from time to time during the Draw Period.

1.2 DRAW PERIOD. Subject to the provisions of this Agreement, from the date of this Supplement up to but not including the Maturity Date ("**Draw Period**"), Borrower may draw Loan funds hereunder; and Lender shall make advances of Loan funds to Borrower upon Borrower's request.

1.3 ONGOING REQUIREMENTS AND REPRESENTATIONS. At the time of any draw request or draw by Borrower or advance of Loan funds by Lender, Borrower shall not be in default. Any request for or acceptance of a draw by Borrower constitutes an ongoing representation and warranty by Borrower that Borrower continues to comply with the conditions and requirements set forth in this Agreement, the Security Instruments or any Loan Document in connection herewith, and that title to the Property defined in the Security Instruments has not been "transferred", as defined therein, without Lender's written consent. If a default occurs, one of Lender's remedies includes Lender's right to immediately terminate Borrower's right to make draws hereunder, with or without notice to Borrower.

1.4 PROCEDURE FOR DRAWING FUNDS. All draws requested hereunder shall comply with applicable procedures established by Lender from time to time. Lender's records shall be conclusive evidence of draw requests. Each advance of Loan funds hereunder may be made upon a verbal, written, or telecopied request from Borrower to Lender. Lender may rely on any verbal request for a draw as fully as if such request were in writing. Upon fulfillment of the applicable conditions for making a draw, Lender shall disburse the amount of the requested draw to Borrower in such manner as Lender and Borrower may from time to time agree.

2. PAYMENTS.

Forty-seven (47) Monthly interest only payments in the amount billed, beginning on **December 01, 2005. One (1)** installment of interest in the amount billed and principal, to be made on **November 01, 2009**.

Payments, other than those required as specified in this Section or elsewhere herein, may be made at any time and in any amount during the term of this Note, unless limited or prohibited herein or unless otherwise required by Lender in writing. This Loan is due and payable in full on **November 01, 2009** ("**Maturity Date**"), at which time Borrower shall pay the unpaid principal balance and all accrued interest in full.

At Lender's option, a change in the interest rate or an advance may either increase or decrease one or more of the following: the amount of each installment due, the amount of the final installment (resulting in a final installment due

at the Maturity Date which may be greater than any previous installments) or the total number of installments due.

3. INTEREST.

3.1 INITIAL RATE. The interest rate applicable to the Note is a Variable Interest Rate ("**Variable Interest Rate**") under Lender's **PRIME Interest Rate Program.** Interest will be charged on the entire unpaid principal balance of this Note, including payments not made when due and any other sums owing hereunder. Interest charged hereunder, including any acceleration interest rate, all late charges, default interest and other charges, and all other amounts charged hereunder, shall not be limited by the laws of any state, including any state laws relating to a legal rate or other interest rate, but shall be governed solely by applicable federal laws. Interest will be calculated on the basis of a 365-day year and the actual number of days in each month. Interest charges will begin on the date Lender disburses principal and continue until the Indebtedness is paid in full with interest.

The initial interest rate in effect on this date is **6.00 %** per annum ("**Initial Interest Rate**"). The interest rate that Borrower will pay will change in accordance with Sections 3.2 through 3.6 below.

If Lender changes Borrower's Variable Interest Rate, Lender will give Borrower notice of such rate change to the extent required by and in accordance with the then applicable law.

3.2 CHANGE DATE. The Variable Interest Rate interest rate will automatically increase or decrease the same day there is an increase or decrease in the Index, defined below. Each date on which the Variable Interest Rate may change is called the "**Change Date**".

3.3 INDEX. Beginning on the first Change Date, the Variable Interest Rate charged hereunder shall be based on the "**Prime Rate**" as published in the Wall Street Journal (hereinafter referred to as "**Index**"). If the Prime Rate quoted in the Wall Street Journal is a split rate, the Index shall be based on the higher of the published rates, unless the rate charged by the majority of the 15 largest domestic banks is the lower rate, in which case Lender may charge the lower of the split rates. If said Index should no longer be published, Lender, in the exercise of reasonable judgment, shall substitute another means of determining a Prime Rate Index. Lender will give Borrower notice of such substitution.

3.4 CALCULATION OF CHANGES. On each Change Date Lender will calculate the new Variable Interest Rate **by Subtracting 0.75 percentage points** (the "**Margin Points**") from the Index published on the same day as the Change Date. This sum will be the interest rate until the next Change Date. Lender reserves the right to reprice the Loan by changing the Margin Points to the extent described in Section 3.5 below.

3.5 ANNUAL REPRICING. The Margin Points stated in Section 3.4 may be increased or decreased on December 01, 2006, and every year thereafter. The dates on which the Margin Points may be changed shall be referred to as the "**Repricing Dates**", and the periods between Repricing Dates shall be referred to as the "**Repricing Periods**". At least 12 days before each Repricing Date, Lender shall notify Borrower of the new Margin Points which will be applicable to the next Repricing Period.

3.6 TERMINATION OF PROGRAM. In the event Lender discontinues the PRIME Interest Rate Program, described in Sections 3.1 – 3.5 above, then on the date of the discontinuance, interest shall accrue at the variable interest rate as established by Lender for the interest rate group to which Borrower/this Note is then assigned. Said variable interest rate may be adjusted automatically as of the first day of any month to the rate then made applicable to Borrower's Note's assigned rate group. Borrower understands and agrees that the following provisions shall then also apply: (a) the interest rate group to which this Note is assigned may be changed at any time to any other interest rate group at the sole and complete discretion of Lender, and (b) the interest rate group may be adjusted to the highest interest rate group if a default or an event of default shall occur under this Note or under any other note or agreement between Borrower and Lender.

4. INTEREST FOR OVERDUE PAYMENTS. Any interest or other sum owed hereunder which is not paid when due shall be added to the outstanding principal balance of the Loan and such combined amount shall thereafter

bear interest at the same rate as the principal portion of the Loan.

5. DEFAULT AND REMEDIES. Borrower is in default on this Supplement under the circumstances described in the MLA governing this Supplement. If a default occurs, Lender shall have all the Remedies described in the MLA.

6. SECURITY. The security given by Borrower to Lender includes, without limitation the following:

6.1 This Note is unsecured.

7. PREPAYMENT; REAMORTIZATION; REFINANCE; INTEREST RATE CONVERSION. A payment, in any amount, made in advance of the scheduled payment date is a "**prepayment.**" If Borrower, in making a prepayment, intends the prepayment to be applied to reduce the principal balance of the Note, Borrower must so inform Lender in writing accompanying the prepayment. Unless agreed to in writing otherwise, Lender may apply all prepayments in such manner as Lender, in its sole discretion, may determine. Borrower may make a full or partial prepayment on any business day without paying a prepayment fee.

Upon the making of a partial prepayment, Borrower may request to have the amount of future installments reamortized over the remaining term of the loan, but only if Borrower so notifies Lender at the time Borrower makes the partial prepayment and only if, upon Lender's approval of the request, Borrower pays to Lender any fees and costs that Lender may charge for such reamortization.

Lender may from time to time offer other loan or interest rate products for which Borrower qualifies. Borrower acknowledges that it may not refinance or convert this Note to another loan or interest rate product with Lender unless Borrower qualifies for such loan or product and pays to Lender any fees and costs that Lender may charge for such refinance or conversion.

8. LEGAL ENTITY STATUS. If any Borrower is a legal entity, by signing below, the undersigned representatives of such entity certify that there have been NO CHANGES in: the entity's owners, directors, officers, partners, managers, trustees or beneficiaries; or in the entity's lawful powers to borrow or encumber entity assets to secure its debts; or in the authority of any person signing below to act for and bind the entity; or in the entity's Articles, Bylaws, Partnership Agreement, Management or Operating Agreement, Declaration of Trust, or other applicable legal documents creating or sustaining the entity since the execution of the last statement to Lender.

9. REIMBURSEMENT OF CHARGES. If any farm credit bank or any other provider of financing or funding to Lender shall assess against Lender any fee, cost, charge, or other amount with respect to the Indebtedness, Borrower shall reimburse Lender on demand for the amount thereof, regardless of whether such assessment arose from actions taken by Borrower.

10. SPECIAL REPRESENTATIONS, WARRANTIES, CONDITIONS AND COVENANTS.

10. 1 DISBURSEMENT INSTRUCTIONS. Borrower understands and agrees that the loan balance on this Commitment is to be controlled by the planned disbursements and operations as shown in Exhibit "C" of the LLC operating agreement of Borrower, and as follows:

$12,000,000.00 - Real Estate Purchase
$ 9,750,000.00 - FCW, FLCA Loan secured by a 1st Deed of Trust, Paso Robles
$ 2,250,000.00 - FCW, PCA Capital Loan, Ventura

	First Year	Second Year	Third Year	Fourth Year
PCA	$2,450,000.00	$1,475,000.00	$ 900,000.00	$ 675,000.00
Accum	$4,700,000.00	$6,175,000.00	$7,075,000.00	$7,750,000.00
Total FCW Debt	$14,450,000.00	$15,925,000.00	$16,825,000.00	$17,500,000.00

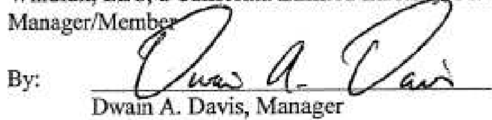
REPRESENTATIVES OF LENDER ARE NOT AUTHORIZED TO MAKE ANY ORAL AGREEMENTS OR ASSURANCES. DO NOT SIGN THIS AGREEMENT IF YOU BELIEVE THAT THERE ARE ANY AGREEMENTS OR UNDERSTANDINGS BETWEEN YOU AND LENDER THAT ARE NOT SET FORTH IN WRITING IN THIS AGREEMENT OR IN OTHER LOAN DOCUMENTS PERTAINING TO THIS LOAN.

This Note may be executed by Borrowers in counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

Signature(s):

Windfall Investors, LLC, a California Limited Liability Company

By: Windfall, LLC, a California Limited Liability Company, Manager/Member



By: ____________________
Dwain A. Davis, Manager

By: Limoneira Company, a Delaware Corporation, Member

By: ____________________
Harold S. Edwards, President

By: ____________________
Don Delmatoff, Secretary

INDORSEMENT – The within Note is hereby indorsed by the payee named in the body of said Note as if the name of the payee were actually executed under the indorsement.

PAY TO THE ORDER OF U.S. AgBANK, FCB, Wichita, Kansas

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PAY TO THE ORDER OF U.S. AgBANK, FCB, Wichita, Kansas

LIMONEIRA

SINCE 1893

MANAGEMENT INCENTIVE PLAN
2008-2009

I. Purpose

The objective of this plan is to reward excellent performance.

II. Participants

a. Those employees whose contributions and decisions significantly and directly affect net profits and the future operations of the Company

b. The employees eligible may be changed or substituted from time to time by the President and will be reported to the Board of Directors. No other change in the plan will be made without the authorization of the Board of Directors. No additional positions will be added to the eligibility groups without authorizations of the Board of Directors.

PARTICIPANTS

SENIOR VICE PRESIDENT
VICE PRESIDENT OF FINANCE AND ADMINISTRATION
VICE PRESIDENT – LEMON OPERATIONS
CONTROLLER
DIRECTOR OF SOUTHERN OPERATIONS
DIRECTOR OF NORTHERN FARMING OPERATIONS
DIRECTOR OF INFORMATION SYSTEMS
DIRECTOR OF MARKETING
DIRECTOR OF HUMAN RESOURCES
DIRECTOR-PACKING & SALES LEMON OPERATIONS
HARVEST MANAGER
PROPERTY MANAGER
AGRITOURISM OPERATIONS MANAGER
SALES MANAGER – LEMON OPERATIONS
FOOD SAFETY AND SUSTAINABILITY MANAGER

III. Plan Funding

The management incentive plan (MIP) will be based on earnings before tax from operating activities of the Limoneira Company. Sixty (60) percent will be based solely on earnings before tax with the remaining forty (40) percent subject to completion of agreed upon individual objectives contained in the Performance Management Program.

The amount of the incentive paid to each individual will be based on the participant's annual salary as of October 31, 2008.

IV. Payment

Payment will be made to all employees deemed eligible for the plan who are employees of the Company at October 31, 2008.

Payment due under this plan, less applicable payroll taxes, will be made to participants as soon after the close of the fiscal year as is practical, but in no case later than January 15th following the close of the fiscal year. Payments will be subject to any contractual agreements that may exist between the Limoneira Company and the participants. The schedule of payment will be reported to and approved by the Compensation Committee of the Board of Directors and the full Board of Directors. Partial year participants deemed eligible for the plan by the President (e.g. mid-year hires) would be funded based on their period of eligible service to the total year in full weeks. Example: A participant serves for 14 weeks of the fiscal year. The eligibility would be 14/52 of the funding level (see Funding Level Exhibit A) in use.

If a participant dies, becomes disabled and unable to work, retires or is granted a leave of absence by the President during the year, eligibility for the earnings before tax based portion will be based upon the percentage of the year worked. Awarding of the performance portion of the plan will be at the discretion of the President.

If a participant leaves the Company for any reason other than those listed above, participation in the plan is forfeited for the fiscal year in which the participant leaves. A prior year bonus earned but not paid would not be affected by departure from the Company.

V. President and Chief Executive Officer

The Board of Directors has established a separate plan for the President and Chief Executive Officer. The annual additional compensation will be established by the Board at their discretion. (Reference: Board Minutes dated November 1, 1985, page 5)

VI. Discontinuance

The Board of Directors may select to discontinue the plan for the following plan year by giving notice to the President no later than the October Board Meeting of the current year.

LIMONEIRA COMPANY

STOCK GRANT PERFORMANCE BONUS

In recognition of the outstanding performance by the Chief Executive Officer, the Senior Vice President and the Chief Financial Officer of the Limoneira Company ("Senior Management"), and other managerial positions of Limoneira listed below ("Management"), the Board of Directors of the Limoneira Company has approved and adopted the following Performance Bonus Stock Grant Program this 24th day of June 2008.

Stock Grants to Senior Management.

To reward Senior Management for outstanding performance during any fiscal year (which ends October 31), the Board hereby authorizes the grant and issuance to members of Senior Management shares of common stock of Limoneira Company having a fair market value on the date of grant not to exceed 133% of the grantee's then current annual salary. Such shares shall be issued if, and to the extent, that the Compensation Committee of the Board of Directors determines that the Company has met the performance criteria heretofore established by the Compensation Committee for fiscal year just completed.

Stock Grants to Management.

To reward members of Management for outstanding performance during any fiscal year (which ends October 31) the Board authorizes the grant and issuance to the members of Management listed on Exhibit A attached hereto shares of common stock of Limoneira Company having a fair market value on the date of grant not to exceed 25% of the grantee's then current annual salary. Such shares shall be issued if, and to the extent, that the Compensation Committee of the Board of Directors determines that the Company has met the performance criteria heretofore established by the Compensation Committee for the fiscal year just completed.

General Terms.

Ownership of shares granted to members of Senior Management and to members of Management shall vest in the grantee one-third as of the date of issuance which shall be the date it is first determined that the established performance criteria for the fiscal year just completed have been met, one-third on the first anniversary of the date of grant and one-third on the second anniversary of the date of grant. The shares granted hereunder shall constitute additional compensation by Limoneira to the grantee who shall be responsible for all state and federal income taxes owing with respect to such compensation, as well as his share of withholding thereon such as FICA, FUTA, etc. The fair market value of the shares granted shall be established pursuant to a resolution of the Board of Directors at the time of grant, which value shall be the most recent trading price of such shares on the "Pinks Sheets."

If a grantee's employment is terminated by Limoneira, other than for cause, any unvested shares granted to the grantee shall immediately become fully vested. If a grantee's employment is terminated by Limoneira for cause or a grantee at his sole discretion terminates his employment with Limoneira, any shares granted to such employee that are unvested shall immediately be canceled.

The shares issued pursuant to such grants shall be subject to a right-of-first refusal by Limoneira during the first two years following issuance of such shares. Upon receipt of a bonafide written offer to purchase any of the shares issued to a grantee, the grantee shall present a copy of such written offer to Limoneira which shall have the option to repurchase such shares at any time within 30 days thereafter. The share certificates evidencing such shares shall bear a restrictive endorsement reflecting such right-of-first refusal as well as such other legends as legal counsel may advise in order to comply with state and federal securities laws governing issuance of shares in private unregistered transactions.

As an accommodation to the grantees hereunder, upon request by a grantee, Limoneira may in its discretion repurchase from the original grantee (or his estate, heirs or legatee's in the event of his demise) a number of the shares granted that, when multiplied by the per share repurchase price, will enable the trustee to pay the minimum statutory state and federal income tax obligations associated with the compensation of the grantee in question with respect to the grant in question. The repurchase price shall be equal to the greater of the grant date price or the most recent trading price of Limoneira Common Stock on the date of such repurchase.

Upon request by a grantee and in the sole discretion of Limoneira, Limoneira may make available to such grantee a loan in an amount sufficient to pay the minimum statutory state and federal income tax liability associated with the compensation to the grantee in connection with the shares granted. Such loan shall be evidenced by a promissory note bearing interest at the mid-term Applicable Federal Rate then in effect, with principal and accrued interest due and payable 24 months from the date of the note, such note to be secured by a UCC-1 Financing Statement and delivery of possession of share certificates representing shares having a Pink Sheet value equal to 120% of the amount of the loan on the day it is made.

Performance Criteria for 2008 Stock Grants.

Seventy percent of the shares reserved for grant in Fiscal Year 2008 and subsequent fiscal years shall be awarded if Limoneira's earnings before state and federal income taxes are ten percent greater than the average pre-tax earnings during the preceding four fiscal years. In making such calculation, extraordinary, non-recurring items and non-operational items shall not be taken into account, either with respect to Fiscal Year 2008 (or the then current fiscal year) or the four preceding fiscal years.

Thirty percent of the shares reserved for grant in Fiscal Year 2008 and subsequent fiscal years shall be awarded if the cash flow from operations of Limoneira for such fiscal year is ten percent greater than the average cash flow from operations for the four preceeding fiscal years.

Notwithstanding the foregoing specific performance criteria, the Board of Directors may, in its sole discretion, award stock grants for "Special Achievement" that falls outside of such criteria. By way of example, if Limoneira benefits from a favorable capital infusion through a private placement of shares or the subdivision/development and or disposition of a Limoneira real estate investment results in a material benefit to Limoneira as a result of the efforts of Senior Management and/or Management, the Board of Directors might consider such to constitute a "Special Achievement" warranting the grant of shares.

Alan M. Teague
Chairman of the Board

Wyatt Merriman
Chairman of the Compensation Committee

LIMONEIRA COMPANY
2010 OMNIBUS INCENTIVE PLAN

Section 1. **Purpose**. The purposes of this Limoneira Company 2010 Omnibus Incentive Plan are to promote the interests of Limoneira Company and its stockholders by (i) attracting and retaining employees and directors of, and consultants to, the Company and its Affiliates, as defined below; (ii) motivating such individuals by means of performance-related incentives to achieve longer-range performance goals; and (iii) enabling such individuals to participate in the long-term growth and financial success of the Company.

Section 2. **Definitions**. As used in the Plan, the following terms shall have the meanings set forth below:

"*Affiliate*" shall mean any entity (i) that, directly or indirectly, is controlled by, controls or is under common control with, the Company or (ii) in which the Company has a significant equity interest, in either case as determined by the Committee.

"*Award*" shall mean any Option, Stock Appreciation Right, Restricted Stock Award, Restricted Stock Unit Award, Performance Award, Other Stock-Based Award or Performance Compensation Award made or granted from time to time hereunder.

"*Award Agreement*" shall mean any written agreement, contract, or other instrument or document evidencing any Award, which may, but need not, be executed or acknowledged by a Participant.

"*Board*" shall mean the Board of Directors of the Company.

"*Cause*" as a reason for a Participant's termination of employment or service shall have the meaning assigned such term in the employment, severance or similar agreement, if any, between the Participant and the Company or an Affiliate. If the Participant is not a party to an employment, severance or similar agreement with the Company or an Affiliate in which such term is defined, then unless otherwise defined in the applicable Award Agreement, "Cause" shall mean: (i) the intentional engagement in any acts or omissions constituting dishonesty, breach of a fiduciary obligation, wrongdoing or misfeasance, in each case, in connection with a Participant's duties or otherwise during the course of a Participant's employment or service with the Company or an Affiliate; (ii) the commission of a felony or the indictment for any felony, including, but not limited to, any felony involving fraud, embezzlement, moral turpitude or theft; (iii) the intentional and wrongful damaging of property, contractual interests or business relationships of the Company or an Affiliate; (iv) the intentional and wrongful disclosure of secret processes or confidential information of the Company or an Affiliate in violation of an agreement with or a policy of the Company or an Affiliate; (v) the continued failure to substantially perform the Participant's duties for the Company or an Affiliate; (vi) current alcohol or prescription drug abuse affecting work performance; (vii) current illegal use of drugs; or (viii) any intentional conduct contrary to the Company's or an Affiliate's written policies or practices.

"*Change of Control*" shall mean the occurrence of any of the following: (i) the sale, lease, transfer, conveyance or other disposition, in one or a series of related transactions, of all or substantially all of the assets of the Company to any "person" or "group" (as such terms are used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act), (ii) any person or group is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a person shall be deemed to have "beneficial ownership" of all shares that any such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than fifty percent (50%) of the total voting power of the voting stock of the Company, including by way of merger, consolidation or otherwise or (iii) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board (together with any new directors whose election by such Board or whose nomination for election by the stockholders of the Company was approved by a vote of a majority of the directors of the Company, then still in office, who were either directors at the beginning of such period or whose election or nomination for election was previously so approved, but excluding any director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) cease for any reason to constitute a majority of the Board, then in office.

"*Code*" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"*Committee*" shall mean a committee of the Board designated by the Board to administer the Plan and composed of not less than two directors, each of whom is required to be a "Nonemployee Director" (within the meaning of Rule 16b-3) and an "outside director" (within the meaning of Section 162(m) of the Code) to the extent Rule 16b-3 and Section 162(m) of the Code, respectively, are applicable to the Company and the Plan. If at any time such a committee has not been so designated, the Board shall constitute the Committee.

"*Company*" shall mean Limoneira Company, a Delaware corporation, together with any successor thereto.

"*Covered Employee*" shall mean a "covered employee" as defined in Code Section 162(m)(3).

"*Effective Date*" shall have the meaning ascribed to it in Section 16(a).

"*Exchange Act*" shall mean the Securities Exchange Act of 1934, as amended.

"*Existing Plan*" shall mean the Limoneira Company Stock Grant Performance Bonus Plan.

"*Fair Market Value*" shall mean (i) with respect to any property other than Shares, the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee and (ii) with respect to the Shares, as of any date, (1) the closing sale price (excluding any "after hours" trading) of the Shares as reported on the Nasdaq Stock Market for such date (or if not then trading on the Nasdaq Stock Market, the closing sale price of the Shares on the stock exchange or over-the-counter market on which the Shares are principally trading on such date), or, if there were no sales on such date, on the closest preceding date on which there were sales of Shares or (2) in the event there shall be no public market for the Shares on such date, the fair market value of the Shares as determined in good faith by the Committee.

"*Good Reason*" as a reason for a Participant's termination of employment or service shall have the meaning assigned such term in the employment, severance or similar agreement, if any, between the Participant and the Company or an Affiliate. If the Participant is not a party to an employment, severance or similar agreement with the Company or an Affiliate in which such term is defined, then unless otherwise defined in the applicable Award Agreement, for purposes of this Plan, the Participant shall not be entitled to terminate his or her employment or service for Good Reason.

"*Incentive Stock Option*" shall mean a right to purchase Shares from the Company that is granted under Section 6 of the Plan and that is intended to meet the requirements of Section 422 of the Code or any successor provision thereto. Incentive Stock Options may be granted only to Participants who meet the definition of "employees" under Section 3401(c) of the Code.

"*Negative Discretion*" shall mean the discretion authorized by the Plan to be applied by the Committee to eliminate or reduce the size of a Performance Compensation Award; *provided* that the exercise of such discretion would not cause the Performance Compensation Award to fail to qualify as "performance-based compensation" under Section 162(m) of the Code. By way of example and not by way of limitation, in no event shall any discretionary authority granted to the Committee by the Plan including, but not limited to, Negative Discretion, be used to (a) grant or provide payment in respect of Performance Compensation Awards for a Performance Period if the Performance Goals for such Performance Period have not been attained, or (b) increase a Performance Compensation Award above the maximum amount payable under Section 4(a) or Section 11(d)(vi) of the Plan. In no event shall Negative Discretion be exercised by the Committee with respect to any Option or Stock Appreciation Right (other than an Option or Stock Appreciation Right that is intended to be a Performance Compensation Award under Section 11 of the Plan).

"*Nonqualified Stock Option*" shall mean a right to purchase Shares from the Company that is granted under Section 6 of the Plan and that is not intended to be an Incentive Stock Option.

"*Option*" shall mean an Incentive Stock Option or a Nonqualified Stock Option.

"*Other Stock-Based Award*" shall mean any right granted under Section 10 of the Plan.

"*Participant*" shall mean any employee of, or consultant to, the Company or its Affiliates, or nonemployee director who is a member of the Board or the board of directors of an Affiliate, eligible for an Award under Section 5 of the Plan and selected by the Committee to receive an Award under the Plan.

"*Performance Award*" shall mean any right granted under Section 9 of the Plan.

"*Performance Compensation Award*" shall mean any Award designated by the Committee as a Performance Compensation Award pursuant to Section 11 of the Plan.

"*Performance Criteria*" shall mean the criterion or criteria that the Committee shall select for purposes of establishing the Performance Goal(s) for a Performance Period with respect to any Performance Compensation Award under the Plan. The Performance Criteria that will be used to establish the Performance Goal(s) shall be based on the attainment of specific levels of performance of the Company (or an Affiliate, division or operational unit of the Company) and shall be limited to the following: return on net assets, return on stockholders' equity, return on assets, return on capital, revenue, average revenue per subscriber, stockholder returns, profit margin, earnings per Share, net earnings, operating earnings, free cash flow, earnings before interest, taxes, depreciation and amortization, number of subscribers, growth of subscribers, operating expenses, capital expenses, subscriber acquisition costs, Share price, enterprise value, equity market capitalization or sales or market share. To the extent required under Section 162(m) of the Code, the Committee shall, within the first ninety (90) days of a Performance Period (or, if longer, within the maximum period allowed under Section 162(m) of the Code), define in an objective fashion the manner of calculating the Performance Criteria it selects to use for such Performance Period.

"*Performance Formula*" shall mean, for a Performance Period, one or more objective formulas applied against the relevant Performance Goals to determine, with regard to the Performance Compensation Award of a particular Participant, whether all, some portion but less than all, or none of the Performance Compensation Award has been earned for the Performance Period.

"*Performance Goals*" shall mean, for a Performance Period, one or more goals established by the Committee for the Performance Period based upon the Performance Criteria. The Committee is authorized at any time during the first ninety (90) days of a Performance Period, or at any time thereafter (but only to the extent the exercise of such authority after the first ninety (90) days of a Performance Period would not cause the Performance Compensation Awards granted to any Participant for the Performance Period to fail to qualify as "performance-based compensation" under Section 162(m) of the Code), in its sole discretion, to adjust or modify the calculation of a Performance Goal for such Performance Period to the extent permitted under Section 162(m) of the Code in order to prevent the dilution or enlargement of the rights of Participants, (a) in the event of, or in anticipation of, any unusual or extraordinary corporate item, transaction, event or development affecting the Company; or (b) in recognition of, or in anticipation of, any other unusual or nonrecurring events affecting the Company, or the financial statements of the Company, or in response to, or in anticipation of, changes in applicable laws, regulations, accounting principles, or business conditions.

"*Performance Period*" shall mean the one or more periods of time of at least one (1) year in duration, as the Committee may select, over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant's right to and the payment of a Performance Compensation Award.

"*Person*" shall mean any individual, corporation, partnership, association, limited liability company, joint-stock company, trust, unincorporated organization, government or political subdivision.

"*Plan*" shall mean this Limoneira Company 2010 Omnibus Incentive Plan.

"*Restricted Stock*" shall mean any Share granted under Section 8 of the Plan.

"*Restricted Stock Unit*" shall mean any unit granted under Section 8 of the Plan.

"*Rule 16b-3*" shall mean Rule 16b-3 as promulgated and interpreted by the SEC under the Exchange Act, or any successor rule or regulation thereto as in effect from time to time.

"*SEC*" shall mean the Securities and Exchange Commission or any successor thereto and shall include the Staff thereof.

"*Shares*" shall mean the common stock of the Company, $0.01 par value, or such other securities of the Company (i) into which such common stock shall he changed by reason of a recapitalization, merger, consolidation, split-up, combination, exchange of shares or other similar transaction or (ii) as may be determined by the Committee pursuant to Section 4(b) of the Plan.

"*Stock Appreciation Right*" shall mean any right granted under Section 7 of the Plan.

"*Substitute Awards*" shall have the meaning specified in Section 4(c) of the Plan.

Section 3. **Administration**. a) The Plan shall be administered by the Committee. Subject to the terms of the Plan and applicable law, and in addition to other express powers and authorizations conferred on the Committee by the Plan, the Committee shall have full power and authority to: (i) designate Participants; (ii) determine the type or types of Awards to be granted to a Participant and designate those Awards which shall constitute Performance Compensation Awards; (iii) determine the number of Shares to be covered by, or with respect to which payments, rights, or other matters are to be calculated in connection with, Awards; (iv) determine the terms and conditions of any Award; (v) determine whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, other Awards or other property, or canceled, forfeited, or suspended and the method or methods by which Awards may be settled, exercised, canceled, forfeited, or suspended; (vi) determine whether, to what extent, and under what circumstances cash, Shares, other securities, other Awards, other property, *and* other amounts payable with respect to an Award (subject to Section 162(m) of the Code with respect to Performance Compensation Awards) shall be deferred either automatically or at the election of the holder thereof or of the Committee (in each case consistent with Section 409A of the Code); (vii) interpret, administer or reconcile any inconsistency, correct any defect, resolve ambiguities and/or supply any omission in the Plan, any Award Agreement, and any other instrument or agreement relating to, or Award made under, the Plan; (viii) establish, amend, suspend, or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; (ix) establish and administer Performance Goals and certify whether, and to what extent, they have been attained; and (x) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan.

(b) Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations, and other decisions under or with respect to the Plan or any Award shall be within the sole discretion of the Committee, may be made at any time and shall be final, conclusive, and binding upon all Persons, including the Company, any Affiliate, any Participant, any holder or beneficiary of any Award, and any stockholder.

(c) The mere fact that a Committee member shall fail to qualify as a “Nonemployee Director” or “outside director” within the meaning of Rule 16b-3 and Section 162(m) of the Code, respectively, shall not invalidate any Award made by the Committee which Award is otherwise validly made under the Plan.

(d) No member of the Committee shall be liable to any Person for any action or determination made in good faith with respect to the Plan or any Award hereunder.

(e) With respect to any Performance Compensation Award granted to a Covered Employee under the Plan, the Plan shall be interpreted and construed in accordance with Section 162(m) of the Code.

(f) The Committee may delegate to one or more officers of the Company (or, in the case of awards of Shares, the Board may delegate to a committee made up of one or more directors) the authority to grant awards to Participants who are not executive officers or directors of the Company subject to Section 16 of the Exchange Act or Covered Employees.

Section 4. **Shares Available for Awards**.

(a) *Shares Available*.

(i) Subject to adjustment as provided in Section 4(b), the aggregate number of Shares with respect to which Awards may be granted from time to time under the Plan shall in the aggregate not exceed, at any time, 100,000 Shares; *provided*, that the aggregate number of Shares with respect to which Incentive Stock Options may be granted under the Plan shall be 80,000. The maximum number of Shares with respect to which Options and Stock Appreciation Rights may be granted to any Participant in any fiscal year shall be 20,000 and the maximum number of Shares which may he paid to a Participant in the Plan in connection with the settlement of any Award(s) designated as “Performance Compensation Awards” in respect of a single Performance Period shall be 50,000 or, in the event such Performance Compensation Award is paid in cash, the equivalent cash value thereof.

(ii) Shares covered by an Award granted under the Plan shall not be counted unless and until they are actually issued and delivered to a Participant and, therefore, the total number of Shares available under the Plan as of a given date shall not be reduced by Shares relating to prior Awards that have expired or have been forfeited or cancelled, and upon payment in cash of the benefit provided by any Award, any Shares that were covered by such Award will be available for issue hereunder. Notwithstanding anything to the contrary contained herein: (A) if Shares are tendered or otherwise used in payment of the exercise price of an Option, the total number of Shares covered by the Option being exercised shall reduce the aggregate limit described in Section 4(a)(i); (B) Shares withheld by the Company to satisfy a tax withholding obligation shall count against the aggregate limit described in Section 4(a)(i); and (C) the number of Shares covered by a Stock Appreciation Right, to the extent that it is exercised and settled in Shares, and whether or not Shares are actually issued to the Participant upon exercise of the Stock Appreciation Right, shall be considered issued or transferred pursuant to the Plan. If, under this Plan, a Participant has elected to give up the right to receive compensation in exchange for Shares based on fair market value, such Shares will not count against the aggregate limit described in Section 4(a)(i).

(b) *Adjustments.* Notwithstanding any provisions of the Plan to the contrary, in the event that the Committee determines in its sole discretion that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company, or other corporate transaction or event affects the Shares such that an adjustment is appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall equitably adjust any or all of (i) the number of Shares or other securities of the Company (or number and kind of other securities or property) with respect to which Awards may be granted, (ii) the number of Shares or other securities of the Company (or number and kind of other securities or property) subject to outstanding Awards, and (iii) the grant or exercise price with respect to any Award or, if deemed appropriate, make provision for a cash payment to the holder of an outstanding Award in consideration for the cancellation of such Award, which, in the case of Options and Stock Appreciation Rights shall equal the excess, if any, of the Fair Market Value of the Share subject to each such Option or Stock Appreciation Right over the per Share exercise price or grant price of such Option or Stock Appreciation Right.

(c) *Substitute Awards*. Awards may, in the discretion of the Committee, be made under the Plan in assumption of, or in substitution for, outstanding awards previously granted by the Company or its Affiliates or a company acquired by the Company or with which the Company combines ("Substitute Awards"). The number of Shares underlying any Substitute Awards shall be counted against the aggregate number of Shares available for Awards under the Plan.

(d) *Sources of Shares Deliverable Under Awards.* Any Shares delivered pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares or of treasury Shares.

Section 5. **<u>Eligibility</u>**. Any employee of, or consultant to, the Company or any of its Affiliates (including any prospective employee), or nonemployee director who is a member of the Board or the board of directors of an Affiliate, shall be eligible to be selected as a Participant.

Section 6. **<u>Stock Options</u>**.

(a) *Grant.* Subject to the terms of the Plan, the Committee shall have sole authority to determine the Participants to whom Options shall be granted, the number of Shares to be covered by each Option, the exercise price thereof and the conditions and limitations applicable to the exercise of the Option. The Committee shall have the authority to grant Incentive Stock Options, or to grant Nonqualified Stock Options, or to grant both types of Options. In the case of Incentive Stock Options, the terms and conditions of such grants shall be subject to and comply with such rules as may be prescribed by Section 422 of the Code, as from time to time amended, and any regulations implementing such statute. All Options when granted under the Plan are intended to be Nonqualified Stock Options, unless the applicable Award Agreement expressly states that the Option is intended to be an Incentive Stock Option. If an Option is intended to be an Incentive Stock Option, and if for any reason such Option (or any portion thereof) shall not qualify as an Incentive Stock Option, then, to the extent of such nonqualification, such Option (or portion thereof) shall be regarded as a Nonqualified Stock Option appropriately granted under the Plan; *provided* that such Option (or portion thereof) otherwise complies with the Plan's requirements relating to Nonqualified Stock Options. No Option shall be exercisable more than ten years from the date of grant.

(b) *Exercise Price.* The Committee shall establish the exercise price at the time each Option is granted, which exercise price shall be set forth in the applicable Award Agreement and which shall not be less than the Fair Market Value per Share on the date of grant.

(c) *Exercise.* Each Option shall be exercisable at such times and subject to such terms and conditions as the Committee may, in its sole discretion, specify in the applicable Award Agreement. The Committee may impose such conditions with respect to the exercise of Options, including without limitation, any relating to the application of federal or state securities laws, as it may deem necessary or advisable.

(d) *Payment.* i) No Shares shall be delivered pursuant to any exercise of an Option until payment in full of the aggregate exercise price therefore is received by the Company. Such payment may be made in cash, or its equivalent, or (x) by exchanging Shares owned by the optionee (which are not the subject of any pledge or other security interest and which have been owned by such optionee for at least six months), or (y) subject to such rules as may be established by the Committee, through delivery of irrevocable instructions to a broker to sell the Shares otherwise deliverable upon the exercise of the Option and to deliver promptly to the Company an amount equal to the aggregate exercise price or by a combination of the foregoing, *provided* that the combined value of all cash and cash equivalents and the Fair Market Value of any such Shares so tendered to the Company as of the date of such tender is at least equal to such aggregate exercise price.

(ii) Wherever in this Plan or any Award Agreement a Participant is permitted to pay the exercise price of an Option or taxes relating to the exercise of an Option by delivering Shares, the Participant may, subject to procedures satisfactory to the Committee, satisfy such delivery requirement by presenting proof of beneficial. ownership of such Shares, in which case the Company shall treat the Option as exercised without further payment and shall withhold such number of Shares from the Shares acquired by the exercise of the Option.

Section 7. Stock Appreciation Rights.

(a) *Grant.* Subject to the provisions of the Plan, the Committee shall have sole authority to determine the Participants to whom Stock Appreciation Rights shall be granted, the number of Shares to be covered by each Stock Appreciation Right Award, the grant price thereof and the conditions and limitations applicable to the exercise thereof. Stock Appreciation Rights with a grant price equal to or greater than the Fair Market Value per Share as of the date of grant are intended to qualify as "performance-based compensation" under Section 162(m) of the Code. In the sole discretion of the Committee, Stock Appreciation Rights may, but need not, be intended to qualify as performance-based compensation in accordance with Section 11 hereof. Stock Appreciation Rights may be granted in tandem with another Award, in addition to another Award, or freestanding and unrelated to another Award. Stock Appreciation Rights granted in tandem with or in addition to an Award may be granted either before, at the same time as the Award or at a later time No Stock Appreciation Right shall be exercisable more than ten years from the date of grant.

(b) *Exercise and Payment.* A Stock Appreciation Right shall entitle the Participant to receive an amount equal to the excess of the Fair Market Value of a Share on the date of exercise of the Stock Appreciation Right over the grant price thereof (which shall not be less than the Fair Market Value on the date of grant). The Committee shall determine in its sole discretion whether a Stock Appreciation Right shall be settled in cash, Shares or a combination of cash and Shares.

(c) *Other Terms and Conditions.* Subject to the terms of the Plan and any applicable Award Agreement, the Committee shall determine, at the grant of a Stock Appreciation Right, the term, methods of exercise, methods and form of settlement, and any other terms and conditions of any Stock Appreciation Right. The Committee may impose such conditions or restrictions on the exercise of any Stock Appreciation Right as it shall deem appropriate.

Section 8. **Restricted Stock and Restricted Stock Units**.

(a) *Grant.* Subject to the provisions of the Plan, the Committee shall have sole authority to determine the Participants to whom Shares of Restricted Stock and Restricted Stock Units shall be granted, the number of Shares of Restricted Stock and/or the number of Restricted Stock Units to be granted to each Participant, the duration of the period during which, and the conditions, if any, under which, the Restricted Stock and Restricted Stock Units may be forfeited to the Company, and the other terms and conditions of such Awards.

(b) *Transfer Restrictions.* Shares of Restricted Stock and Restricted Stock Units may not be sold, assigned, transferred, pledged or otherwise encumbered, except, in the case of Restricted Stock, as provided in the Plan or the applicable Award Agreements. Unless otherwise directed by the Committee, (i) certificates issued in respect of Shares of Restricted Stock shall be registered in the name of the Participant and deposited by such Participant, together with a stock power endorsed in blank, with the Company, or (ii) Shares of Restricted Stock shall be held at the Company's transfer agent in book entry form with appropriate restrictions relating to the transfer of such Shares of Restricted Stock. Upon the lapse of the restrictions applicable to such Shares of Restricted Stock, the Company shall, as applicable, either deliver such certificates to the Participant or the Participant's legal representative or the transfer agent shall remove the restrictions relating to the transfer of such Shares.

(c) *Payment.* Each Restricted Stock Unit shall have a value equal to the Fair Market Value of a Share. Restricted Stock Units shall be paid in cash, Shares, other securities or other property, as determined in the sole discretion of the Committee, upon the lapse of the restrictions applicable thereto, or otherwise in accordance with the applicable Award Agreement. Dividends paid on any Shares of Restricted Stock shall be paid directly to the Participant, withheld by the Company subject to vesting of the Restricted Stock pursuant to the terms of the applicable Award Agreement, or may be reinvested in additional Shares of Restricted Stock or in additional Restricted Stock Units, as determined by the Committee in its sole discretion.

Section 9. **Performance Awards.**

(a) *Grant.* The Committee shall have sole authority to determine the Participants who shall receive a "Performance Award", which shall consist of a right which is (i) denominated in cash or Shares, (ii) valued, as determined by the Committee, in accordance with the achievement of such Performance Goals during such Performance Periods as the Committee shall establish, and (iii) payable at such time and in such form as the Committee shall determine.

(b) *Terms and Conditions.* Subject to the terms of the Plan and any applicable Award Agreement, the Committee shall determine the Performance Goals to be achieved during any Performance Period, the length of any Performance Period, the amount of any Performance Award and the amount and kind of any payment or transfer to he made pursuant to any Performance Award.

(c) *Payment of Performance* Awards. Performance Awards may be paid in a lump sum or in installments following the close of the Performance Period as set forth in the Award Agreement on the date of grant.

Section 10. **Other Stock-Based Awards**.

(a) *General*. The Committee shall have authority to grant to Participants an "Other Stock-Based Award", which shall consist of any right which is (i) not an Award described in Sections 6 through 9 above and (ii) an Award of Shares or an Award denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Shares (including, without limitation, securities convertible into Shares), as deemed by the Committee to he consistent with the purposes of the Plan; *provided* that any such rights must comply, to the extent deemed desirable by the Committee, with Rule 16b-3 and applicable law. Subject to the terms of the Plan and any applicable Award Agreement, the Committee shall determine the terms and conditions of any such Other Stock-Based Award, including the price, if any, at which securities may be purchased pursuant to any Other Stock-Based Award granted under this Plan.

(b) *Dividend Equivalents.* In the sole discretion of the Committee, an Award (other than Options or Stock Appreciation Rights), whether made as an Other Stock-Based Award under this Section 10 or as an Award granted pursuant to Sections 6 through 9 hereof, may provide the Participant with dividends or dividend equivalents, payable in cash, Shares, other securities or other property on a current or deferred basis; *provided*, that in the case of Awards with respect to which any applicable Performance Criteria have not been achieved, dividend equivalents may be paid only on a deferred basis, to the extent the underlying Award vests.

Section 11. **Performance Compensation Awards**.

(a) *General*. The Committee shall have the authority, at the time of grant of any Award described in Sections 6 through 10 of the Plan (other than Options and Stock Appreciation Rights), to designate such Award as a Performance Compensation Award in order to qualify such Award as "performance-based compensation" under Section 162(m) of the Code.

(b) *Eligibility.* The Committee will, in its sole discretion, designate within the first ninety (90) days of a Performance Period (or, if longer, within the maximum period allowed under Section 162(m) of the Code) which Participants will be eligible to receive Performance Compensation Awards in respect of such Performance Period. Designation of a Participant eligible to receive an Award hereunder for a Performance Period shall not in any manner entitle the Participant to receive payment in respect of any Performance, Compensation Award for such Performance Period. The determination as to whether or not such Participant becomes entitled to payment in respect of any Performance Compensation Award shall be decided solely in accordance with the provisions of this Section 11. Moreover, designation of a Participant eligible to receive an Award hereunder for a particular Performance Period shall not require designation of such Participant eligible to receive an Award hereunder in any subsequent Performance Period and designation of one person as a Participant eligible to receive an Award hereunder shall not require designation of any other person as a Participant eligible to receive an Award hereunder in such period or in any other period.

(c) *Discretion of Committee with Respect to Performance Compensation Awards.* With regard to a particular Performance Period, the Committee shall have full discretion to select the length of such Performance Period, the type(s) of Performance Compensation Awards to be issued, the Performance Criteria that will be used to establish the Performance Goal(s), the kind(s) and/or level(s) of the Performance Goals(s) is/are to apply to the Company and the Performance Formula. Within the first ninety (90) days of a Performance Period (or, if longer, within the maximum period allowed under Section 162(m) of the Code), the Committee shall, with regard to the Performance Compensation Awards to be issued for such Performance Period, exercise its discretion with respect to each of the matters enumerated in the immediately preceding sentence of this Section 11(c) and record the same in writing.

(d) *Payment of Performance Compensation Awards.* ii) Unless otherwise provided in the applicable Award Agreement, a Participant must be employed by the Company on the last day of a Performance Period to be eligible for payment in respect of a Performance Compensation Award for such Performance Period.

(ii) *Limitation.* A Participant shall be eligible to receive payment in respect of a Performance Compensation Award only to the extent that: (1) the Performance Goals for such period are achieved; and (2) the Performance Formula as applied against such Performance Goals determines that all or some portion of such Participant's Performance Award has been earned for the Performance Period.

(iii) *Certification*. Following the completion of a Performance Period, the Committee shall meet to review and certify in writing whether, and to what extent, the Performance Goals for the Performance Period have been achieved and, if so, to calculate and certify in writing that amount of the Performance Compensation Awards earned for the period based upon the Performance Formula. The Committee shall then determine the actual size of each Participant's Performance Compensation Award for the Performance Period and, in so doing, may apply Negative Discretion, if and when it deems appropriate.

(iv) *Negative Discretion*. In determining the actual size of an individual Performance Award for a Performance Period, the Committee may reduce or eliminate the amount of the Performance Compensation Award earned under the Performance Formula in the Performance Period through the use of Negative Discretion if, in its sole judgment, such reduction or elimination is appropriate.

(v) *Timing of Award Payments.* The Awards granted for a Performance Period shall be paid to Participants as soon as administratively possible following completion of the certifications required by this Section 11; *provided* that in no event shall any Award granted for a Performance Period be paid later than the fifteenth day of the third month following the end of such Performance Period.

(vi) *Maximum Award Payable.* Notwithstanding any provision contained in the Plan to the contrary, the maximum Performance Compensation Award payable to any one Participant under the Plan for a Performance Period is 50,000 Shares or, in the event the Performance Compensation Award is paid in cash, the equivalent cash value thereof on the last day of the Performance Period to which such Award relates. Furthermore, any Performance Compensation Award that has been deferred shall not (between the date as of which the Award is deferred and the payment date) increase (i) with respect to Performance Compensation Award that is payable in cash, by a measuring factor for each fiscal year greater than a reasonable rate of interest set by the Committee or (ii) with respect to a Performance Compensation Award that is payable in Shares, by an amount greater than the appreciation of a Share from the date such Award is deferred to the payment date.

Section 12. **<u>Amendment and Termination</u>**.

(a) *Amendments to the Plan*. The Board may amend, alter, suspend, discontinue, or terminate the Plan or any portion thereof at any time; *provided* that if an amendment to the Plan that (i) would materially increase the benefits accruing to Participants under the Plan, (ii) would materially increase the number of securities which may be issued under the Plan, (iii) would materially modify the requirements for participation in the Plan or (iv) must otherwise be approved by the stockholders of the Company in order to comply with applicable law or the rules of the Nasdaq Stock Market, or, if the Shares are not traded on the Nasdaq Stock Market, the principal national securities exchange upon which the Shares are traded or quoted, such amendment will be subject to stockholder approval and will not be effective unless and until such approval has been obtained; *and provided, further,* that any such amendment, alteration, suspension, discontinuance or termination that would impair the rights of any Participant or any holder or beneficiary of any Award previously granted shall not be effective without the written consent of the affected Participant, holder or beneficiary.

(b) *Amendments to Awards*. The Committee may waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate, any Award theretofore granted; *provided* that any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would impair the rights of any Participant or any holder or beneficiary of any Award previously granted shall not be effective without the written consent of the affected Participant, holder or beneficiary.

(c) *Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events.* The Committee is hereby authorized to make equitable adjustments in the terms and conditions of, and the criteria included in, all outstanding Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 4(b) hereof) affecting the Company, any Affiliate, or the financial statements of the Company or any Affiliate, or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan.

(d) *Repricing.* Except in connection with a corporate transaction or event described in Section 4(b) hereof, the terms of outstanding Awards may not be amended to reduce the exercise price of Options or the grant price of Stock Appreciation Rights, or cancel Options or Stock Appreciation Rights in exchange for cash, other awards or Options or Stock Appreciation Rights with an exercise price or grant price, as applicable, that is less than the exercise price of the original Options or grant price of the original Stock Appreciation Rights, as applicable, without stockholder approval.

Section 13. **Change of Control**.

(a) Except as otherwise provided in an Award Agreement or by the Committee in a written resolution at the date of grant, to the extent outstanding Awards granted under this Plan are not assumed, converted or replaced by the resulting entity in the event of a Change of Control, all outstanding Awards that may be exercised shall become fully exercisable, all restrictions with respect to outstanding Awards shall lapse and become vested and non-forfeitable, and any specified Performance Goals with respect to outstanding Awards shall be deemed to be satisfied at target.

(b) Except as otherwise provided in an Award Agreement or by the Committee in a written resolution at the date of grant or thereafter, to the extent outstanding Awards granted under this Plan are assumed, converted or replaced by the resulting entity in the event of a Change of Control, (i) any outstanding Awards that are subject to Performance Goals shall be converted by the resulting entity as if target performance had been achieved as of the date of the Change of Control, (ii) each Performance Award or Performance Compensation Award with service requirements shall continue to vest with respect to such requirements during the remaining period set forth in the Award Agreement, and (iii) all other Awards shall continue to vest (and/or the restrictions thereon shall continue to lapse) during the remaining period set forth in the Award Agreement.

(c) Except as otherwise provided in an Award Agreement or by the Committee in a written resolution at the date of grant or thereafter, to the extent outstanding Awards granted under this Plan are either assumed, converted or replaced by the resulting entity in the event of a Change of Control, if a Participant's employment or service is terminated without Cause by the Company or an Affiliate or a Participant terminates his or her employment or service with the Company or an Affiliate for Good Reason (if applicable), in either case, during the two year period following a Change of Control, all outstanding Awards held by the Participant that may be exercised shall become fully exercisable and all restrictions with respect to outstanding Awards shall lapse and become vested and non-forfeitable.

(d) Notwithstanding anything in this Plan or any Award Agreement to the contrary, to the extent any provision of this Plan or an Award Agreement would cause a payment of deferred compensation that is subject to Section 409A of the Code to be made upon the occurrence of (i) a Change of Control, then such payment shall not be made unless such Change of Control also constitutes a “change in ownership”, “change in effective control” or “change in ownership of a substantial portion of the Company’s assets” within the meaning of Section 409A of the Code or (ii) a termination of employment or service, then such payment shall not be made unless such termination of employment or service also constitutes a “separation from service” within the meaning of Section 409A of the Code. Any payment that would have been made except for the application of the preceding sentence shall be made in accordance with the payment schedule that would have applied in the absence of a Change of Control or termination of employment or service, but disregarding any future service or performance requirements.

Section 14. **General Provisions**.

(a) *Nontransferability*.

(i) Each Award, and each right under any Award, shall be exercisable only by the Participant during the Participant’s lifetime, or, if permissible under applicable law, by the Participant’s legal guardian or representative.

(ii) No Award may be sold, assigned, alienated, pledged, attached or otherwise transferred or encumbered by a Participant otherwise than by will or by the laws of descent and distribution, and any such purported sale, assignment, alienation, pledge, attachment, transfer or encumbrance shall be void and unenforceable against the Company or any Affiliate; *provided* that the designation of a beneficiary shall not constitute a sale, assignment, alienation, pledge, attachment, transfer or encumbrance.

(b) *No Rights to Awards*. No Participant or other Person shall have any claim to be granted any Award, and there is no obligation for uniformity of treatment of Participants, or holders or beneficiaries of Awards. The terms and conditions of Awards and the Committee’s determinations and interpretations with respect thereto need not be the same with respect to each Participant (whether or not such Participants are similarly situated).

(c) *Share Certificates*. Shares or other securities of the Company delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the SEC, any stock exchange upon which such Shares or other securities are then listed, and any applicable Federal or state laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(d) *Withholding.* iii) A Participant may he required to pay to the Company or any Affiliate, and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any Award, from any payment due or transfer made under any Award or under the Plan or from any compensation or other amount owing to a Participant the amount (in cash, Shares, other securities, other Awards or other property) of any applicable withholding taxes in respect of an Award, its exercise, or any payment or transfer under an Award or under the Plan and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes.

(ii) Without limiting the generality of clause (i) above, a Participant may satisfy, in whole or in part, the foregoing withholding liability by delivery of Shares owned by the Participant (which are not subject to any pledge or other security interest and which have been owned by the Participant for at least six (6) months) with a Fair Market Value equal to such withholding liability or by having the Company withhold from the number of Shares otherwise issuable pursuant to the exercise of the option a number of Shares with a Fair Market Value equal to such withholding liability.

(e) *Award Agreements*. Each Award hereunder shall he evidenced by an Award Agreement which shall he delivered to the Participant and shall specify the terms and conditions of the Award and any rules applicable thereto, including but not limited to the effect on such Award of the death, disability or termination of employment or service of a Participant and the effect, if any, of such other events as may he determined by the Committee.

(f) *No Limit on Other Compensation Arrangements.* Nothing contained in the Plan shall prevent the Company or any Affiliate from adopting or continuing in effect other compensation arrangements, which may, but need not, provide for the grant of options, restricted stock, Shares and other types of Awards provided for hereunder (subject to stockholder approval if such approval is required), and such arrangements may be either generally applicable or applicable only in specific cases.

(g) *No Right to Employment.* The grant of an Award shall not he construed as giving a Participant the right to be retained in the employ of, or in any consulting relationship to, or as a director on the Board or board of directors, as applicable, of, the Company or any Affiliate. Further, the Company or an Affiliate may at any time dismiss a Participant from employment or discontinue any consulting relationship, free from any liability or any claim under the Plan, unless otherwise expressly provided in the Plan, any Award Agreement or any applicable employment contract or agreement.

(h) *No Rights as Stockholder*. Subject to the provisions of the applicable Award, no Participant or holder or beneficiary of any Award shall have any fights as a stockholder with respect to any Shares to be distributed under the Plan until he or she has become the holder of such Shares. Notwithstanding the foregoing, in connection with each grant of Restricted Stock hereunder, the applicable Award shall specify if and to what extent the Participant shall not be entitled to the rights of a stockholder in respect of such Restricted Stock.

(i) *Governing Law*. The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan and any Award Agreement shall be determined in accordance with the laws of the State of Delaware, applied without giving effect to its conflict of laws principles.

(j) *Severability*. If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or as to any Person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall he stricken as to such jurisdiction, Person or Award and the remainder of the Plan and any such Award shall remain in full force and effect.

(k) *Other Laws*. The Committee may refuse to issue or transfer any Shares or other consideration under an Award if, acting in its sole discretion, it determines that the issuance or transfer of such Shares or such other consideration might violate any applicable law or regulation or entitle the Company to recover the same under Section 16(b) of the Exchange Act, and any payment tendered to the Company by a Participant, other holder or beneficiary in connection with the exercise of such Award shall be promptly refunded to the relevant Participant, holder or beneficiary. Without limiting the generality of the foregoing, no Award granted hereunder shall be construed as an offer to sell securities of the Company, and no such offer shall be outstanding, unless and until the Committee in its sole discretion has determined that any such offer, if made, would be in compliance with all applicable requirements of the U.S. federal securities laws.

(l) *No Trust or Fund Created.* Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and a Participant or any other Person. To the extent that any Person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or any Affiliate.

(m) *No Fractional Shares.* No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities, or other property shall be paid or transferred in lieu of any fractional Shares or whether such fractional Shares or any rights thereto shall he canceled, terminated, or otherwise eliminated.

(n) *Deferrals.* In the event the Committee permits a Participant to defer any Award payable in the form of cash, all such elective deferrals shall be accomplished by the delivery of a written, irrevocable election by the Participant on a form provided by the Company. All deferrals shall be made in accordance with administrative guidelines established by the Committee to ensure that such deferrals comply with all applicable requirements of Section 409A of the Code.

(o) *Headings*. Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

Section 15. **Compliance with Section 409A of the Code**.

(a) To the extent applicable, it is intended that this Plan and any grants made hereunder comply with the provisions of Section 409A of the Code, so that the income inclusion provisions of Section 409A(a)(1) of the Code do not apply to the Participants. This Plan and any grants made hereunder shall be administered in a manner consistent with this intent.

(b) Neither a Participant nor any of a Participant's creditors or beneficiaries shall have the right to subject any deferred compensation (within the meaning of Section 409A of the Code) payable under this Plan and grants hereunder to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A of the Code, any deferred compensation (within the meaning of Section 409A of the Code) payable to a Participant or for a Participant's benefit under this Plan and grants hereunder may not be reduced by, or offset against, any amount owing by a Participant to the Company or any of its Affiliates.

(c) If, at the time of a Participant's separation from service (within the meaning of Section 409A of the Code), (i) the Participant shall be a specified employee (within the meaning of Section 409A of the Code and using the identification methodology selected by the Company from time to time) and (ii) the Company shall make a good faith determination that an amount payable hereunder constitutes deferred compensation (within the meaning of Section 409A of the Code) the payment of which is required to be delayed pursuant to the six- (6-) month delay rule set forth in Section 409A of the Code in order to avoid taxes or penalties under Section 409A of the Code, then the Company shall not pay such amount on the otherwise scheduled payment date but shall instead pay it, with interest, on the earlier of the first business day of the seventh month or death.

(d) Notwithstanding any provision of this Plan and grants hereunder to the contrary, in light of the uncertainty with respect to the proper application of Section 409A of the Code, the Company shall amend this Plan and grants hereunder as the Company deems necessary or desirable to avoid the imposition of taxes or penalties under Section 409A of the Code. In any case, a Participant shall he solely responsible and liable for the satisfaction of all taxes and penalties that may he imposed on a Participant or for a Participant's account in connection with this Plan and grants hereunder (including any taxes and penalties under Section 409A of the Code), and neither the Company nor any of its Affiliates shall have any obligation to indemnify or otherwise hold a Participant harmless from any or all of such taxes or penalties.

Section 16 <u>Term of the Plan</u>.

(a) *Effective Date.* The Plan shall be effective as of the date of its approval by the Board (the "Effective Date"), subject to approval of the Plan by the stockholders of the Company. No grants will be made under the Existing Plan on or after the date the Plan is first approved by the stockholders of the Company, except that outstanding awards granted under the Existing Plan will continue unaffected following the Effective Date.

(b) *Expiration Date.* No grant will be made under this Plan more than ten (10) years after the Effective Date, but all grants made on or prior to such date will continue in effect thereafter subject to the terms thereof and of this Plan.

* * *

COPY

First Amendment to

LEASE AND OPTION AGREEMENT

Dated January 1, 1992

The undersigned "Lessor" and "Lessee" under the above described Lease and Option Agreement dated January 1, 1992, desiring to extend the Lease Term for an additional ten (10) years, hereby amend paragraph 2 thereof to read as follows:

> "2. **LEASE TERM**: Lessee shall have and hold the Premises for a term commencing on the date hereof (the "Commencement Date") and ending twenty (20) years from the Commencement Date, unless sooner terminated as hereinafter provided."

As hereby amended the Lease and Option Agreement (which are by this reference incorporated herein) are in all respects confirmed.

IN WITNESS WHEREOF, the parties have executed this instrument in two or more counterparts, each as an original and all together as one instrument as of January 1, 1999.

LESSOR:

THE CALDWELL SURVIVOR'S TRUST
UTA DATED 9/29/86 AND
THE CALDWELL MARITAL TRUST
UTA DATED 9/29/86

By Phila M. Caldwell
Phila M. Caldwell
- Trustee

By Gordon B. Crary, Jr.
Gordon B. Crary, Jr.
- Trustee

LESSEE:

SANTA PAULA LAND CO., INC.

By ______________________________
Chairman

By ______________________________
President

APPROVED:

LIMONEIRA COMPANY

By ______________________________
- Guarantor

LEASE AND OPTION AGREEMENT

THIS LEASE AND OPTION AGREEMENT is made and entered into as of January 1, 1992, by and between PHILA M. CALDWELL AND GORDON B. CRARY, JR., AS TRUSTEES OF THE CALDWELL SURVIVOR'S TRUST UTA DATED 9/29/86 (T.I.N. 567-20-9022), AND THE CALDWELL MARITAL TRUST UTA DATED 9/29/86 (T.I.N. 95-6915674) ("Lessor") and SANTA PAULA LAND COMPANY, INC., a wholly owned subsidiary of LIMONEIRA COMPANY, a Delaware corporation ("Lessee").

1. **PREMISES**: Lessor, for and in consideration of the covenants hereinafter contained and made on the part of the Lessee, does hereby lease to Lessee, and Lessee does hereby lease from Lessor, that certain parcel of land located in the County of Santa Barbara, State of California, more particularly described on Exhibit A attached hereto and made a part hereof, together with all of Lessor's easements, rights and appurtenance thereto (the "Premises"), subject to the exceptions shown in Exhibit A. The three (3) areas lying within the "Lease Boundary" lines shown on the Martin, Northart & Spencer Survey Plat attached to Exhibit A are excluded from the Premises and are hereinafter referred to as the "Lessor reserved property." In a separate letter agreement to be attached to this Lease at the time it is executed the parties will set forth their crop and expense allocation formula and their equipment and supplies inventory for the beginning and end of the Lease Term.

2. **LEASE TERM**: Lessee shall have and hold the Premises for a term commencing on the date hereof (the "Commencement Date") and ending ten (10) years from the Commencement Date, unless sooner terminated as hereinafter provided.

3. **RENT**: Lessee covenants to pay Lessor as rent the following sums without deduction of offset:

(a) During the first year of the term hereof, Lessee shall pay basic annual rental of $41,700.00, payable in equal quarterly installments on the first day of each third month, beginning as of April 1, 1992 and continuing quarterly thereafter.

(b) On the first anniversary of the Commencement Date and on each successive anniversary date thereafter during the term of this Lease, annual rental shall be adjusted in accordance with the Consumer Price Index for All Urban Consumers, All Items, Los Angeles metropolitan area. The base index to be used shall be the index figure for the month in which the lease commences. The index for the adjustment date shall be the one reported in the index published by the U.S. Department of Labor, Bureau of Labor statistics then in use for the month closest to the first anniversary date and most nearly similar to the base index; if a different base year is used in the new index, the base figure shall be converted under a formula supplied by the Bureau. If the described index is no longer published, another generally recognized index shall be selected by the parties.

4. **LESSOR'S WARRANTIES AND COVENANTS**: Lessor hereby covenants, represents and warrants that the Premises are free and clear of all liens, encumbrances, restrictions and tenancies, whether oral or written, except as shown on the preliminary title report attached hereto as Exhibit B and except for a cattle grazing agreement dated May 5, 1992 with Landon Stableford which is cancelable on 30 days notice (a copy of which has been delivered to Lessee), that Lessee shall have sole and actual possession of the Premises from the commencement Date except as otherwise provided herein and that Lessor has no knowledge of any governmental restriction or physical condition of the Premises or other matter which would restrict the ability of Lessee to use the Premises for the purpose of cultivating avocados, lemons or other citrus. Lessor hereby acknowledges that Lessee is relying upon said covenants, representations and warranties in executing this Lease and that the matters so represented and warranted are material ones. Lessor, accordingly, agrees that any breach of warranty or misrepresentation shall be grounds for Lessee to elect, at its option, to terminate this Lease or cure Lessor's default(s) and deduct its costs to cure said defaults from rent

thereafter accruing. These remedies are in addition to all other remedies Lessee may have in law or equity. Except for the Lessor's express representations and warranties as herein set forth, the Lessee acknowledges (a) that it is fully familiar with the condition, utility and value of the Premises and any and all improvements thereto covered by the Lease, including but not limited to the trees, irrigation systems, wind machines, water wells, sources of water and the water supply, and the Lessee takes and accepts the same in their present condition and strictly "as is, where is and with all faults" and (b) that neither the Lessor nor any of the Lessor's agents has made any oral or written representation or warranty whatsoever with respect to the Premises and/or any improvements thereto and the Lessee accepts the same subject to all existing surface and subsurface conditions of the soil and all improvements thereto.

5. **INSURANCE AND INDEMNITY**: Lessee covenants at its own expense to maintain and keep in force for the mutual benefit of Lessor and Lessee general public liability insurance against claims for personal injury, death, or property damage occurring in, on or about the Premises to afford protection to the limit of not less than $1,000,000 combined single limit liability coverage. Lessee shall furnish Lessor with certificates showing such insurance to be in force at all times throughout the term of this Lease. All liability policies shall name Lessor as the additional insured. No policy shall be amended or canceled without thirty (30) days' prior written notice to Lessor, and each policy shall so provided. Except for Lessor's negligence and/or breach of express warranties, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, employees and representatives from and against any and all claims, loss of rents and/or damages, costs, liens, judgments, penalties, permits, attorney's and consultant's fees, expenses and/or liabilities arising out of, involving or in dealing with the occupancy of the Premises by Lessee, the conduct of Lessee's business, any act, omission or neglect of Lessee, its agents, contractors, employees, or invitees and/or any default or breach by Lessee in the performance in a timely manner of any and all obligations on Lessee's part to be performed under this Lease. The foregoing shall include but not be limited to the defense or pursuit of any claim or any action or

proceeding involved therein, whether or not in the case of claims made against Lessor, litigated and or reduced to judgment, whether well founded or not. If any such action or proceeding is brought against Lessor by reason of any of the foregoing matters, Lessee, upon notice from Lessor, shall defend the same at Lessee's expense, by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Nothing herein shall require Lessor to first pay any such claim in order to be indemnified by Lessee in accordance with foregoing provisions.

6. **TAXES:**

(a) Lessee shall pay prior to delinquency all taxes, assessments, or other impositions imposed by any governmental authority against the Premises or any improvements, fixtures and equipment thereon. Lessee's obligation shall extend only to taxes assessed against the Premises, and Lessee shall not be required to pay any franchise, gross receipts, income, or other tax assessed against the Lessor. Lessee shall provide Lessor with evidence of payment promptly upon payment of any taxes. If Lessee fails to pay any such taxes within the time set forth above, Lessor may pay the taxes and Lessee shall reimburse Lessor with the next due rental payment, plus interest at the greater of 8-1/2 percent per annum or the maximum rate permitted by California law. Lessor shall deliver tax bills to Lessee promptly upon receipt thereof.

(b) Lessor and Lessee acknowledge and agree that the Premises will continue to be assessed and taxed as one Parcel (Assessor's I.D. No. 081-200-17-00), with other property owned by Lessor and not included in the Premises, i.e., the Lessor reserved property. Lessee's obligation for the payment of taxes shall be determined as follows: With respect to taxes assessed on the land, Lessee shall pay an amount equal to that portion of the taxes, assessments and other charges that bears the same ratio to the total of the taxes, assessments and other charges as the land area of the Premises bears to the land area of the total taxed property. With respect to the taxes assessed on the buildings and other improvements located on the property, Lessee shall pay an amount equal to that portion of the taxes, assessments and other charges that bears the same ratio to the total of the taxes, assessments and other charges as the square footage of the

buildings located on the Premises bears to the square footage of the total of all comparable buildings located on the taxed property, i.e., Lessor's liability for real property taxes shall be an equitable proportion of the real property taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined from the respective valuations assigned in the assessor's worksheets or such other information as may be reasonably available including the Ventura Appraisal Company appraisal obtained to provide the initial market value stated in paragraph 20 of this Lease. The parties shall fully cooperate in making a reasonable determination of Lessee's and Lessor's proportionate share of real property taxes. Provided that the Lessor shall pay and shall indemnify Lessee with respect to real property taxes resulting from actions taken by or for the account of the Lessor.

(c) Lessee may at its cost pursue any legal remedy to contest, obtain an abatement or reduction of any taxes, assessments, or other impositions, and Lessor shall cooperate to the extent reasonably necessary. Such action may be taken in Lessor's name if required by law. In such case, Lessee shall indemnify Lessor against any and all loss, cost, expense damage of liability arising from such action, and provide assurance reasonably satisfactory to Lessor that no tax lien will affect Lessor's interest in the property.

(d) Neither Lessor nor Lessee shall consent to or approve any bonds or other assessments, for any purpose, without the joint approval of the other party.

(e) Lessor shall pay all property taxes and assessments owing on the Premises or which may become a lien on the Premises prior to the Commencement Date, i.e., such taxes and assessments shall be pro-rated to the Commencement Date (and to the Termination Date).

7. **REPAIR AND MAINTENANCE, ETC.**: So far as known to Lessor, the Premises and every part thereof are in good condition and repair. It is intended by the parties hereto that the Lessor shall have no obligation whatsoever to repair or maintain the Premises, the improvements located thereon or the equipment

therein, whether structural or non-structural, all of which obligations are intended to be that of the Lessee under this Lease. It is the intention of the parties that the terms of this Lease govern the respective obligations of the parties as to maintenance and repair of the Premises. Lessee and Lessor expressly waive the benefit of any statute now or hereafter in effect to the extent that it is inconsistent with the terms of this Lease with respect to or which affords Lessee the right to make repairs at the expense of Lessor or to terminate this Lease by reason of any needed repairs. Accordingly, except as herein expressly provided, Lessee shall, at Lessee's sole cost and expense and at all times keep the Premises and all improvements thereto and every part thereof in good order, condition and repair, structural and non-structural, whether or not such portion of the Premises requiring repair or the means of repairing the same are reasonably or readily accessible to Lessee and whether or not need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises and, without limiting the generality of the foregoing, including all equipment and/or roads and other facilities serving the Premises and serving the Lessor reserved property and including all trees on the Lessor reserved property. Lessee shall not cause or permit any hazardous substance (as defined by applicable federal and/or California laws and/or Rules and Regulations promulgated thereunder), to be spilled or released in, on, under or about the Premises and shall promptly at Lessee's expense take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for clean-up of any contamination of and for the maintenance, security and/or monitoring of the Premises, the elements surrounding same or neighboring properties that was caused or materially contributed to by Lessee, or pertaining to or involving any hazardous substance and/or storage tank brought onto the Premises by or for Lessee or under its control. In keeping the Premises in good order condition and repair the Lessee shall exercise and perform good agricultural husbandry and good maintenance practices and Lessee's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or any part thereof in good order, condition and repair. With respect to environmental matters, Lessor's and Lessee's obligations

and liability shall be as set forth in Addendum No. 1 attached hereto and by this reference incorporated herein and made a part hereof.

8. **UTILITIES, ETC.**: Lessee may make such utility installations of a non-structural nature to the Premises as are consistent with or required by the management and operation of the Premises for agricultural purposes in accordance with the permitted uses as herein provided. Lessee shall pay for all such utility installations and all utilities services provided to the Premises. The Lessor reserved property and facilities shall be serviced by such utilities, including electrical, telephone and water supply, in accordance with the water supply and other facilities now available to the Lessor reserved property, without charge or expense to Lessor except that Lessor shall pay for its own telephone expense and for electricity and butane gas which are separately metered to the Lessor reserved property. The parties acknowledge that the water supply to the Premises and to the Lessor reserved property is from wells, streams and/or aquifers and that none of the water has ever been or is required or intended by the parties to be treated. Lessor's continued use of the water shall be at Lessor's sole risk and Lessor fully releases and indemnifies Lessee from and with respect to the just and lawful claims, rights and demands of Lessor, its agents, employees, guests and invitees resulting from the use of the water furnished by Lessee to the Lessor reserved property.

9. **DAMAGE TO OR DESTRUCTION OF TREES**: The Premises are currently planted in lemon and avocado threes and are operated for the production of such fruit. If the Premises shall be rendered inoperable by fire or other casualty during the last five (5) years of the term of this Lease, to the extent of 35% or more of the insurable value of the trees or the annual production therefrom, Lessee may, at Lessee's option, to be evidenced by notice in writing given to Lessor within thirty (30) days after the occurrence of such damage or destruction, elect to terminate this Lease as of the date of the damage or destruction, whereupon Lessee shall remove all of its equipment from the Premises and leave same in a neat rubble-free condition. All insurance proceeds from casualty insurance carried by Lessee shall belong to Lessee.

10. **USE, ALTERATIONS AND TITLE TO IMPROVEMENTS:**

(a) Lessee may use the Premises for any lawful agricultural purpose; provided, however, that before using the Premises for anything except the production of avocados, lemons or other citrus, and cattle grazing, Lessee shall first obtain Lessor's written consent in each instance, which consent shall not be unreasonably withheld or delayed.

(b) Lessee shall have the right to redevelop the orchard on the Premises consistent with customary cultural practices and make, construct, alter, add to, reconstruct, modify, remove, or demolish on the Premises such buildings (excluding single family homes), structures and other improvements as Lessee in its sole discretion shall determine (collectively, the "Project"). At the commencement of the term of this Lease, Lessee has projected capital expenditures of $515,457 during the first six years of the term hereof, which expenditures are described on Exhibit C attached hereto. The Project shall be the property of the Lessee at all times during the term of this Lease, and Lessee may remove any portion of the Project at any time during the term of this Lease, and for a period of thirty (30) days after its termination. Lessor may require Lessee to remove any portion of the Project upon the termination of this Lease. Any Portion of the Project which Lessee has not removed after the expiration of such period of thirty (30) days or which Lessor does not require Lessee to remove shall be deemed to be an abandonment thereof, whereby the same shall become part of the real estate with title thereto vesting in the owner of the land. Any personal property left on the Premises after the expiration of a period of thirty (30) days after the termination of this Lease shall be deemed abandoned, and Lessor shall have the right to store such property at Lessee's expense or take any other action permitted by law. Lessor shall have the right at all times to enter the Premises to post any notice of non-responsibility with respect to any construction by Lessee. Lessee agrees to give Lessor at least 30 days written notice of Lessee's intention to remove the old barn on the Premises.

(c) Lessor shall cooperate with Lessee in the above-described development to the extent reasonably necessary and without cost to Lessor, including,

without limitation, execution of documents and applications for governmental approvals of the Project.

(d) Lessee shall give Lessor not less than ten (10) days prior written notice of Lessee intended commencement of any construction activities and Lessee shall pay or cause to be paid the total cost and expense of all works of improvement and Lessee shall not allow the enforcement against the Premises of any mechanics liens; Lessee may contest any mechanics lien, claim or demand by furnishing a mechanics lien release bond to Lessor in compliance with applicable California law. If Lessee does not discharge any mechanics lien for works of improvement performed for Lessee, Lessor shall have the right to discharge same and Lessee shall reimburse Lessor for the cost of discharging such mechanics lien including interest 8-1/2% and reasonable attorneys fees.

(e) Lessee intends to amortize the capital improvements described on Exhibit C attached hereto over a 20-year period commencing with the respective dates of installation of equipment and/or four years of planting of citrus or avocado orchards, as the case may be. If Lessee does not exercise the option described in paragraph 20 below prior to expiration of the Lease Term, Lessor shall be obligated to reimburse Lessee for the remaining unamortized cost of said capital improvements as shown on the books of Lessee within 30 days following expiration of the Lease Term. Said reimbursement shall be paid by Lessor in the form of a cashier's check made payable to Lessee or in other immediately available funds.

11. **ASSIGNMENT AND SUBLETTING**: Lessee shall not, voluntarily or by operation of law, assign, transfer, mortgage or otherwise encumber (collectively assignment) or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent, which consent Lessor shall not unreasonably withhold. A change in corporate control, meaning more than a 50% change in equity ownership of Lessee, shall be deemed an assignment. Provided that the occupancy of Lessee's employees of any living accommodations on the Premises shall not require Lessor's consent.

12. **TERMS AND CONDITIONS APPLICABLE TO ASSIGNMENT AND/OR SUBLETTING**:

(a) Regardless or Lessor's consent, any assignment or subletting shall not (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) alter the primary liability of Lessee for the payment of base rent and other sums due Lessor under this Lease or for the performance of any other obligations to be performed by Lessee under this Lease.

(b) The consent of Lessor to one assignment or subletting shall not constitute a consent to any subsequent assignment or subletting by Lessee or to any subsequent or successive assignment or subletting by the sublessee. Neither a delay in the approval or disapproval of such assignment, nor the acceptance of any rent or performance, shall constitute a waiver of or estoppel as to Lessor's right to exercise its remedies for the default or breach by Lessee of any of the terms, covenants or conditions of this Lease.

(c) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility of or the appropriateness of the proposed assignee or sublessee, including but not limited the intended use and/or required modification of the Premises, if any. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested by Lessor.

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

13. **LESSOR'S RIGHT OF RE-ENTRY**: If Lessee shall fail to pay any installments of rent promptly on the day when they become due and payable hereunder, and shall continue in default for a period of five (5) days after written notice thereof by Lessor, or if Lessee shall fail to promptly keep and perform any other affirmative covenants of this Lease and shall continue in default for a period of thirty (30) days after written notice thereof by Lessor of default and demand for performance, then

upon each such event, Lessor may (a) declare the Lease Term ended, and enter into the Premises, or any Part thereof, and expel Lessee or any person occupying the Premises of (b) re-let the Premises, applying said rent from the new tenant on this Lease, and Lessee shall be responsible for no more than the balance that may be due, should a balance exist. Anything hereinbefore contained to the contrary notwithstanding, if any default shall occur other than in the payment of money, which cannot with due diligence be cured within a period of thirty (30) days, and Lessee, prior to the expiration of thirty (30) days from the giving of notice as aforesaid, begins to cure such default, and diligently pursues such cure to completion, then the Lessor shall not have the right to declare the Lease Term ended by reason of such default.

14. **HOLDING OVER**: If Lessee continues to occupy the Premises after the last day of the Lease Term, or after the last day of any extension of the Lease Term, and the Lessor elects to accept rent, thereafter a tenancy from month to month only shall be created and not a tenancy for any longer period.

15. **CONDEMNATION**: If the whole or any part of the Premises or any improvements thereon shall be taken or condemned by any competent authority for any public use or purpose during the term of this Lease, Lessee shall receive any portion of any award allocable to its capital improvements, including orchards, to the cost or loss that Lessee may sustain in the removal and relocation of Lessee's trade fixtures and other personal property, to Lessee's anticipated or lost profits or damages because of detriment to Lessee's business and to the value of Lessee's leasehold interest. Lessee reserves the right to claim and prosecute its claim in all appropriate courts and agencies for an award or damages based upon the foregoing without impairing any rights of Lessor for the taking of or injury to its interest in the property. The entire award for the fair market value of the land taken shall be paid to Lessor. No compromise or settlement shall be made of any condemnation award without the consent of, Lessor, Lessee and any Mortgagee.

If a part of the Premises is taken or condemned which, in the sole judgment of Lessee, is sufficient to render the remaining portion unsuitable for continued use or

occupancy, then Lessee may within sixty (60) days after the date when possession of the Premises or portion thereof shall be required by the condemning authority, elect to terminate this Lease. In the event that Lessee shall fail to exercise its option to terminate this Lease, then this Lease shall continue in effect with respect to the portion of the Premises not so taken, except that the rent otherwise payable shall be reduced in proportion to the percentage of planted acreage in the Premises taken by the condemning authority. If no planted acreage is taken then the rent shall not be reduced by reason of such taking.

16. **COVENANT OF TITLE AND QUIET ENJOYMENT**: Lessor covenants that Lessor has good title to the Premises free and clear of all liens, encumbrances and restrictions, except those approved in writing by Lessee prior to execution of this Lease. Lessor shall not mortgage, assign, pledge, hypothecate or otherwise encumber its fee interest in the Premises during the term of this Lease. Lessor warrants and will defend the title thereto, and will indemnify Lessee against any damage and expense which Lessee may suffer by reason of any lien, encumbrance, restriction or defect in the title or description herein of the Premises. If, at any time, Lessor's title or right to receive rent hereunder is disputed, or there is a change of ownership of Lessor's estate by act of the parties or operation of law, Lessee may withhold rent thereafter accruing until Lessee is furnished proof satisfactory to it as to the party entitled thereto. Subject to Lessor's prior written consent in each instance (which consent shall not be unreasonably withheld) Lessee may grant to public entities and public utilities for the purposes of serving the Premises, rights of way and easements on, over or under the Premises for all water, telephone, gas, electricity, sewer and other utility services.

17. **TITLE INSURANCE**: Prior to execution of this Lease, Lessor shall apply for leasehold title insurance from Chicago Title Insurance Company in the amount of not less than two hundred fifty thousand DOLLARS ($250,000.00) showing title in Lessor and insuring the leasehold estate in Lessee. If the report on title, title binder, or commitment, so required, discloses any conditions, restrictions, liens, encumbrances, easements or covenants which have not been approved by Lessee prior to execution

hereof, Lessor shall have sixty (60) days from the date which such title report, binder, or commitment bears to cure such defects and to furnish a title report, binder, or commitment showing such defects cured or removed. If such defects in title are not so cured within sixty (60) days, Lessee may, at its option, terminate this Lease. In the event this Lease is so terminated all money, deposits and instruments shall be returned to the respective parties.

18. **TRADE FIXTURES, MACHINERY AND EQUIPMENT**: Lessor agrees that all trade fixtures, machinery, equipment or other personal property of whatever kind kept or installed on the Premises by Lessee or its sublessees shall not become the property of Lessor or a part of the realty, no matter how affixed to the Premises, and may be removed at any time during the Lease Term.

19. **RECORDING**: Lessor and Lessee agree to execute and record a short form or memorandum of this Lease and Option.

20. **PURCHASE OPTION**:

20.1 Grant of Option. Lessor hereby grants to Lessee an exclusive option ("Option") to purchase the Premises together with all of the Lessor reserved property (excluding the mobile home occupied by the Herzman Family) collectively the "Property," subject to a legal life estate to be reserved to Phila M. Caldwell in and to the Lessor reserved property, on the following terms and conditions:

20.1.1 Term. The term of the Option (the "Option Term") shall commence on the Commencement Date and shall terminate upon expiration of the Lease Term.

20.1.2 Exercise. So long as it is not then in default, Lessee may exercise the Option at any time during the Option Term by delivering written notice to Lessor of its election to do so. The exercise of the Option shall create a binding agreement between the Parties for the purchase and sale of the Property, on terms and conditions to be mutually agreed upon by Lessor and Lessee.

20.1.3 Purchase Price. The purchase price to be paid by Optionee to Lessor for the Premises shall be $4,136,600.00, adjusted for increases

in the consumer price index in accordance with Section 4(b) above. The purchase price shall be paid in the form of a bank cashier's check or in other immediately available funds.

20.1.4 Following the exercise of the Option the parties shall execute standard purchase and sale form escrow instructions with Chicago Title Insurance Company providing for the purchase and sale of the Property and providing for the allocation of costs in the manner customary in Santa Barbara County; escrow shall close within sixty (60) days after the exercise of the Option. At the closing, Lessor shall deliver title subject only to the title matters approved by Lessee as provided for in paragraph 17 and such other matters as may be acceptable to Lessee. Rent shall be pro-rated to close of escrow.

20.2 Option Assignment or Termination. The Option is an integral part of this Lease and is not assignable or otherwise transferable, in whole or in part, separately from this Lease and shall automatically terminate upon termination of this Lease.

20.3 Lessor: Non-Foreign Person. Lessor hereby represents and warrants to Lessee that Lessor is not a "foreign person" and is a "United States person" as those terms are defined in Section 7701(a) (30) of the Internal Revenue Code of 1954, as amended (the "Code"). Lessor hereby agrees to deliver to Lessee on or before the Commencement Date and to Lessee promptly after Lessee's exercise of the Option (or such earlier date as Lessee may require), an affidavit of Lessor, in the form attached as Exhibit D, sworn to under penalty of perjury, setting forth Lessor's United States tax identification number (or social security number, if Lessor does not have a tax identification number), and stating that Lessor is not a foreign person and is a United States person as defined in Code Section 7701. Lessor tax identification numbers are stated in the first paragraph of this Lease.

21. **RECIPROCAL AND REASONABLE ACCESS:** Notwithstanding the provisions of paragraph 4, each of the parties grants to the other rights of reasonable access on all existing and future roads for the mutual convenience and enjoyment of the

parties and the use and exercise of their respective rights under this Lease, without unreasonably interfering with or impairing the rights of the other.

22. **MISCELLANEOUS PROVISIONS:**

(a) If any provision of this Lease or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, shall not be affected.

(b) The terms, conditions and covenants of this Lease shall be binding upon and shall inure to the benefit of each of the parties hereto, their heirs, personal representatives, successors, or assigns, and shall run with the land.

(c) This Lease contains the entire, integrated agreement between Lessor and Lessee with respect to the matters herein contained and supersedes all prior agreements and understandings between Lessor and Lessee with respect to such matters. No waivers, alterations or modifications of this Lease or any agreements in connection therewith shall be valid unless in writing duly executed by both Lessor and Lessee, as the case may be, through duly authorized agents, officers, or partners.

(d) The captions appearing in this Lease are inserted only as a matter of convenience and shall not be used in construing this Lease. The use of singular herein shall be deemed to include the plural and vice versa.

(e) Any notice, demand, or communication hereunder shall be in writing and served by personal service or by deposit in the United States Mail, registered or certified mail, return receipt requested, postage prepaid and (i) If intended for Lessor shall be addressed to: Lessor, c/o Roger C. Pettitt, 626 Wilshire Boulevard, Suite #410, Los Angeles, California 90017 and (ii) If intended for Lessee shall be addressed to: Santa Paula Land Company, Inc., 1141 Cummings Road, Santa Paula, California 93060, Attention: President, or to such other address as either party may have furnished to the other in writing as a place for the service of notice. Any notice so mailed shall be deemed to have been given three days after it is deposited in the United States mail.

(f) If the Lessor or the Lessee institutes any legal action or arbitration proceeding against the other relating to the provisions of this Lease, or any

default hereunder, the unsuccessful Party in such action or proceeding agrees to reimburse the successful party for the reasonable expenses of attorneys' fees and disbursements incurred therein by the successful Party.

(g) Each party represents and warrants to the other that the execution of this Lease has been duly authorized according to any applicable corporate by-laws, trust agreement or partnership agreement, and the individuals executing this Lease are duly authorized pursuant thereto.

(h) At any time and from time to time, within ten (10) days after notice of request by either party, the other party shall execute, acknowledge, and deliver to the requesting party, or to such other recipient as the notice shall direct, a statement certifying that this Lease is unmodified and in full force and effect as modified in the manner specified in the statement. The statement shall also state the dates to which the rent and any other charges have been paid in advance. The statement shall be such that it can be relied on by any auditor, creditor, commercial banker, and investment banker of either party and by any prospective purchaser or encumbrancer of the Premises or improvements or both or of all or any part or parts of Lessee's or Lessor's interests under this Lease.

(i) This Lease shall be governed by the laws of the State of California.

(j) There are no brokers involved in this transaction and each party warrants to the other that no brokers commissions, finders fees or other compensation shall be payable by reason of this Lease or the Option or the exercise of the Option.

(k) This Lease shall immediately and automatically terminate in the event of Lessee's dissolution or insolvency or the filing of any bankruptcy or receivership petition by or against Lessee under the bankruptcy laws.

23. **ARBITRATION**: The parties agree to the arbitration provisions set forth in ADDENDUM NO.2 attached hereto and incorporated herein.

24. **PARENT GUARANTEE**: Attached hereto as Exhibit E and

incorporated herein is the written Guaranty of Lease executed by Limoneira Company as the parent of Lessee.

IN WITNESS WHEREOF, the parties have executed this Lease in two or more counterparts, each as an original and all together as one instrument as of the date first above written.

LESSOR:

THE CALDWELL SURVIVOR'S TRUST
UTA DATED 9/29/86 AND
THE CALDWELL MARITAL TRUST
UTA DATED 9/29/86

By Phila M. Caldwell
Phila M. Caldwell
- Trustee

By Gordon B. Crary, Jr.
Gordon B. Crary, Jr.
- Trustee

The Exhibits to this Lease and Option Agreement are:

1. Addendum No. 1 - Environmental Matters.
2. Addendum No. 2 - Arbitration
3. Exhibit A - Legal Description
4. Exhibit B - Title Report
5. Exhibit C - Projected Capital Expenditures
6. Exhibit D - Lessor TIN Affidavit, etc.
7. Exhibit E - Guaranty of Lease

LESSEE:

SANTA PAULA LAND CO., INC.

By [signature]
~~President~~ CHAIRMAN

By [signature]
~~Chief Financial Officer~~
PRESIDENT

ADDENDUM NO. 1

ADDENDUM NO. 1

To Caldwell Trusts - Santa Paula Land Company, Inc.

Lease and Option Agreement

Dated January 1, 1992

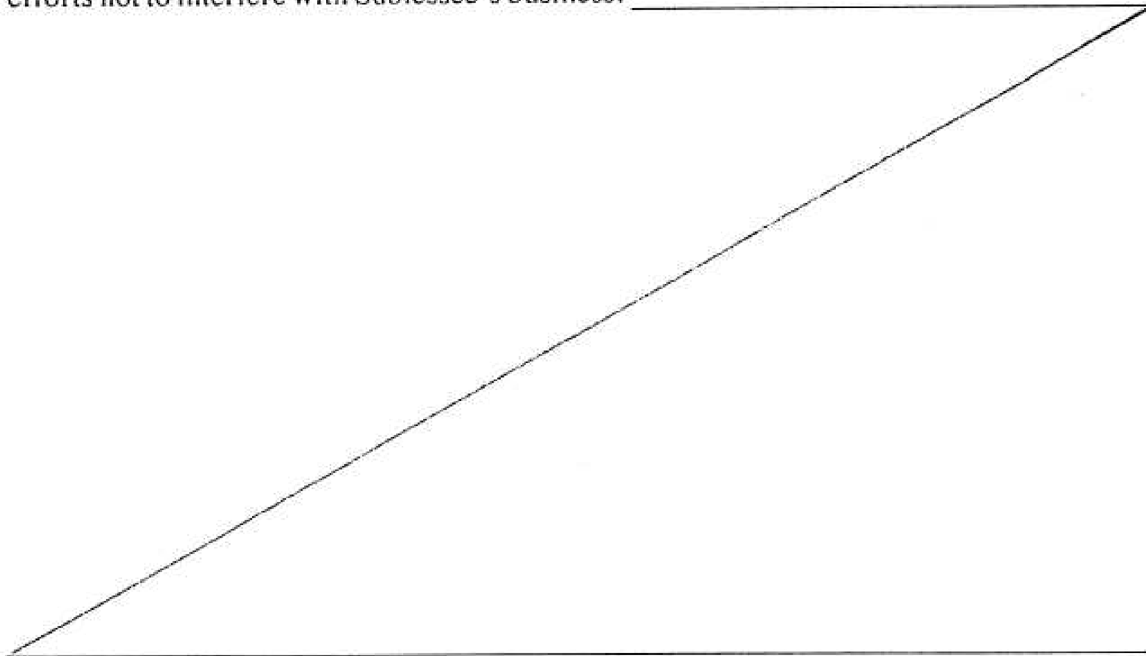
__Environmental Matters__

As used in this Lease, the term "Hazardous Material" means any flammable items, explosives, radioactive materials, hazardous or toxic substances, material or waste or related materials, including any substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," or "toxic substances" now or subsequently regulated under any applicable federal, state or local laws or regulations, including without limitation petroleum-based products, paints, solvents, lead, cyanide, DDT, printing inks, acids, pesticides, ammonia compounds and other chemical products, asbestos, PCBs and similar compounds, and including any different products and materials which are subsequently found to have adverse effects on the environment or the health and safety of persons. Without the prior written consent of Lessor, Lessee shall not cause or permit any Hazardous Material to be generated, produced, brought upon, used, stored, treated or disposed of in or about the Premises by Lessee, its agents,

employees, contractors, licensees or invitees except for pesticides, rodenticides, herbicides, fuel and fertilizers and other materials approved for agricultural use. Lessor shall be entitled to take into account such factors or facts as Lessor may reasonably determine to be relevant in determining whether to grant or withhold consent to Lessee's proposed activity with respect to Hazardous Material; provided, however, that Lessor hereby consents to Lessee's storage on the Premises, in accordance with applicable laws, of any containerized Hazardous Materials held for use on the Premises which Lessor has itself customarily and lawfully stored for use on the Premises provided that if any product requires special environmental handling, the storage or use thereof on the Premises shall require Lessor's prior written approval in each instance, such approval not to be unreasonably withheld. In no event, however, shall Lessor be required to consent to the installation or use of any underground storage tanks on the Premises. Lessee shall have and hereby expressly assumes all liability for any environmental damage and/or contamination of the Premises resulting from Sublessee's occupancy and/or use of the Premises from and after the Commencement Date.

Lessor retains and hereby expressly assumes all liability for any environmental damage and/or contamination of the Premises resulting from Lessor's occupancy and/or use of the Premises prior to the Commencement Date, for removal of any underground

tanks it may have installed and for any cleanup and/or remediation work required by reason thereof. Lessor retains, and Lessee hereby grants to Lessor, a right of access to the Premises at all times during the Lease Term for purposes of testing, remediation and monitoring of any contamination of the Premises, if required by law or any local, state or federal agency, and for removal of any underground storage tank for which Lessor has retained liability. Should Lessor's entry for such purposes result in a substantial interference with Lessee's business, a just proportionate part of the rental shall be abated during the period of such substantial interference. Lessor will use its best reasonable efforts not to interfere with Sublessee's business.



ADDENDUM NO. 2

ADDENDUM NO. 2

To Caldwell Trusts - Santa Paula Land Company, Inc.

Lease and Option Agreement

Dated January 1, 1992

By their approval signed below, the Lessor and Lessee under the above referenced Lease expressly agree to have any dispute arising out of the matters included in the arbitration of disputes provision set forth below decided by neutral arbitration as provided by the California Law and thereby give up any rights they might possess to have the dispute litigated in a Court or Jury trial. By such approval the Lessor and the Lessee give up their judicial rights to discovery and appeal, unless those rights are specifically included in the arbitration of disputes provision. If the Lessor or the Lessee should refuse to submit to arbitration after agreeing to the arbitration of disputes as stated herein, that party may be compelled to arbitrate under the authority of the California Code of Civil Procedure. Such agreement to this arbitration provision is voluntary.

ARBITRATION OF DISPUTES:

Any dispute or claim in law or equity arising out of this Agreement (Lease) and/or the transaction described therein shall be decided by neutral binding arbitration in a

accordance with the Rules of the American Arbitration Association and not by Court action except as provided by California Law or Judicial Review of Arbitration Proceedings. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The parties shall have the right to discovery in accordance with Code of Civil Procedure Section 1283.05. The following matters are excluded from arbitration hereunder:

(a) A judicial or non-judicial foreclosure or other action or proceeding to enforce a deed of trust, mortgage, or real property sales contract as defined in Civil Code Section 2985,

(b) an unlawful detainer action,

(c) the filing or enforcement of a mechanic's lien,

(d) any matter which is within the jurisdiction of a probate or small claims court, or

(e) an action for bodily injury or wrongful death, or for latent or patent defects in which Code of Civil Procedure Section 337.1 or 337.15 applies. The filing of a judicial action to enable the recording of a Notice of Pending Action, for Order of Attachment, Receivership, injunction, or other provisional remedies, shall not constitute a waiver of the right to arbitrate under this provision.

The foregoing arbitration of disputes provision is hereby approved and made a part of the within Lease.

Approved:

THE CALDWELL TRUSTS	SANTA PAULA LAND COMPANY, INC.
By ______________________ Phila M. Caldwell and	By ______________________ President
By ______________________ Gordon B. Crary, Jr. Co-Trusteees. - LESSOR	By ______________________ Chief Financial Officer - LESSEE

GUARANTY OF LEASE

WHEREAS, PHILA M. CALDWELL and GORDON B. CRARY, JR. as Trustees, hereinafter referred to as "Lessor", and SANTA PAULA LAND COMPANY, INC., a California Corporation, hereinafter referred to as "Lessee", are about to execute a document entitled "Lease and Option Agreement" dated January 11, 1992, concerning the premises commonly known as THE CALDWELL REFUGIO RANCH wherein Lessor will lease the premises to Lessee, and

WHEREAS, LIMONEIRA COMPANY, Parent of the Lessee, hereinafter referred to as "Guarantor" has a financial interest in Lessee, and

WHEREAS, Lessor would not execute the Lease if Guarantor did not execute and deliver to Lessor this Guarantee of Lease.

NOW THEREFORE, for and in consideration of the execution of the foregoing Lease by Lessor and as a material inducement to Lessor to execute said Lease, Guarantor hereby unconditionally and irrevocably guarantees the prompt payment by Lessee of all rentals and all other sums payable by Lessee under said Lease and the faithful and prompt performance by Lessee of each and every one of the terms, conditions and covenants of said Lease to be kept and performed by Lessee.

This Guaranty shall not be released, modified or affected by failure or delay on the part of Lessor to enforce any of the rights or remedies of the Lessor under said Lease, whether pursuant to the terms thereof or at law or in equity.

No notice of default need be given to Guarantor, it being specifically agreed and understood that the guarantee of the undersigned is a continuing guarantee under which Lessor may proceed forthwith and immediately against Lessee or against Guarantor following any breach or default by Lessee or for the enforcement of any rights which Lessor may have as against Lessee pursuant to or under the terms of the within Lease or at law or in equity.

Lessor shall have the right to proceed against Guarantor hereunder following any breach or default by Lessee without first proceeding against Lessee and without previous notice to or demand upon either Lessee or Guarantor.

Guarantor hereby waive (a) notice of acceptance of this Guaranty, (b) demand of payment, presentation and protest, (c) all right to assert or plead any statute of limitations as to or relating to this Guaranty and the Lease, (d) any right to require the Lessor to proceed against the Lessee or any other Guarantor or any other person or entity liable to Lessor, (e) any right to require Lessor to apply to any default any security deposit or other security it may hold under the Lease, (f) any right to require Lessor to proceed under any other remedy Lessor may have before proceeding against Guarantor, (g) any right of subrogation.

Guarantor does hereby subrogate all existing or future indebtedness of Lessee to Guarantor to the obligations owed to Lessor under the Lease and this Guaranty.

The obligation of Lessee under the Lease to execute and deliver estoppel statements and financial statements, as therein provided, shall be deemed to also require the Guarantor hereunder to do and provide the same relative to Guarantor.

The term "Lessee" whenever hereinabove used refers to and means the Lessee in the foregoing Lease specifically named and also any assignee or sublessee of said Lease and also any successor to the interests of said Lessee, assignee or sublessee of such Lease or any part thereof, whether by assignment, sublease or otherwise.

In the event any action be brought by said Lessor against Guarantor hereunder to enforce the obligation of Guarantor hereunder, the unsuccessful party in such action shall pay to the prevailing party therein a reasonable attorney's fee which shall be fixed by the court.

Executed at: Goleta, California

on July 30, 1992

Address: 1146 Cummings Road

Santa Paula, Calif. 93060

LIMONEIRA COMPANY

By ______ PRESIDENT

By ______

"GUARANTOR"

List of Subsidiaries of Limoneira Company	State of Incorporation/Organization
Limoneira Land Company, Inc.	California
Limoneira Company International Division, LLC	California
Limoneira Mercantile, L.L.C.	California
Limoneira Company Nursery Division, Inc.	California
Windfall Investors, LLC	California
Templeton Santa Barbara, LLC	California
6037 East Donna Circle Drive LLC	Arizona
6146 East Cactus Wren Road LLC	Arizona
Rockville Enterprises Inc.	Delaware