

TEJON RANCH CO  
Form 10-Q  
November 08, 2006  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**  
**FORM 10-Q**

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended September 30, 2006

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-7183

**TEJON RANCH CO.**

(Exact name of Registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**77-0196136**  
(IRS Employer Identification No.)

**P.O. Box 1000, Lebec, California 93243**

(Address of principal executive offices)

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

The number of the Company's outstanding shares of Common Stock on November 8, 2006 was 16,748,186 shares.

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TEJON RANCH CO. AND SUBSIDIARIES

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## TEJON RANCH CO. AND SUBSIDIARIES

**UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF INCOME**

(In thousands, except per share amounts)

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b>Revenues:</b>				
Real estate - commercial/industrial	\$ 4,760	\$ 3,516	\$ 11,894	\$ 9,241
Farming	4,606	6,866	8,823	8,402
Total revenues	9,366	10,382	20,717	17,643
<b>Costs and Expenses:</b>				
Real estate - commercial/industrial	2,752	2,022	8,448	6,545
Real estate - resort/residential	958	480	2,951	1,802
Farming	3,370	3,544	6,175	5,223
Corporate expenses	2,172	1,770	10,737	5,260
Total expenses	9,252	7,816	28,311	18,830
Operating income (loss)	114	2,566	(7,594)	(1,187)
<b>Other Income (Expense):</b>				
Investment income	756	596	2,033	1,788
Interest expense			(70)	
Other	3	358	39	374
Total other income	759	954	2,002	2,162
Income (loss) from operations before equity in earnings (losses) of unconsolidated joint ventures	873	3,520	(5,592)	975
Equity in earnings (losses) of unconsolidated joint ventures, net	667	348	896	(258)
Operating income (loss) before income tax	1,540	3,868	(4,696)	717
Income tax expense (benefit)	898	1,551	(1,897)	224
Net income (loss)	\$ 642	\$ 2,317	\$ (2,799)	\$ 493
Net income (loss) from operations per share, basic	\$ 0.04	\$ 0.14	\$ (0.17)	\$ 0.03
Net income (loss) from operations per share, diluted	\$ 0.04	\$ 0.14	\$ (0.17)	\$ 0.03

See Notes to Unaudited Consolidated Condensed Financial Statements.

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## TEJON RANCH CO. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands)

	September 30, 2006	December 31, 2005
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 7,279	\$ 114
Marketable securities - available for sale	69,065	61,924
Accounts receivable	5,841	7,513
Inventories	3,513	2,093
Prepaid expenses and other current assets	9,159	4,821
Total current assets	94,857	76,465
Property and equipment - net	44,572	66,441
Investments in unconsolidated joint ventures	17,488	4,286
Other assets	805	599
<b>TOTAL ASSETS</b>	<b>\$ 157,722</b>	<b>\$ 147,791</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current Liabilities:		
Trade accounts payable	\$ 2,092	\$ 1,635
Other accrued liabilities	571	691
Deferred income	3,619	1,349
Income tax payable		1,076
Current portion of long-term debt	26	25
Total current liabilities	6,308	4,776
Long-term debt, less current portion	424	444
Other liabilities	2,132	1,885
Minimum pension liability	1,855	1,855
Commitments and contingencies		
Stockholders' equity:		
Common stock	8,374	8,254
Additional paid-in capital	108,585	97,841
Accumulated other comprehensive loss	(2,858)	(2,965)
Retained earnings	32,902	35,701
Total stockholders' equity	147,003	138,831
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<b>\$ 157,722</b>	<b>\$ 147,791</b>

Balance sheet at December 31, 2005 has been derived from the audited financial statements at that date.

See Notes to Unaudited Consolidated Condensed Financial Statements.

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## TEJON RANCH CO. AND SUBSIDIARIES

**UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS**

(In thousands)

	<b>Nine Months Ended September 30</b>	
	<b>2006</b>	<b>2005</b>
<b>OPERATING ACTIVITIES</b>		
Net income (loss)	\$ (2,799)	\$ 493
Items not affecting cash:		
Depreciation and amortization	1,576	1,625
Equity in (earnings) losses of unconsolidated joint ventures, net	(896)	258
Non-cash stock contribution	200	
Non-cash SERP expense	247	
Deferred compensation - stock grants/options	3,172	2,102
Stock grant	2,989	
Gain on sale of real estate	(340)	
Deferred income taxes	(1,542)	(910)
Tax benefit from exercise of stock options		989
Excess tax benefit from stock-based compensation	(1,054)	
Distribution of earnings from unconsolidated joint ventures	1,200	
Changes in operating assets and liabilities:		
Receivables, inventories and other assets, net	(1,770)	(745)
Current liabilities, net	(592)	584
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>391</b>	<b>4,396</b>
<b>INVESTING ACTIVITIES</b>		
Maturities and sales of marketable securities	5,972	4,313
Funds invested in marketable securities	(13,113)	(9,446)
Reimbursement proceeds from community facilities district	3,524	
Proceeds from sale of real estate	2,667	
Property and equipment expenditures	(10,162)	(7,867)
Investment in unconsolidated joint ventures	(101)	(173)
Distribution of equity from unconsolidated joint ventures	13,500	1,297
Other	5	2
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>2,292</b>	<b>(11,874)</b>
<b>FINANCING ACTIVITIES</b>		
Borrowings of short term debt	5,400	
Repayments of short-term debt	(5,400)	
Repayments of long-term debt	(20)	(17)
Additional costs related to private placement		(6)
Excess tax benefit from stock-based compensation	1,054	
Proceeds from exercise of stock options	3,448	2,508
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>4,482</b>	<b>2,485</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>7,165</b>	<b>(4,993)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>114</b>	<b>6,692</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 7,279</b>	<b>\$ 1,699</b>

See Notes to Unaudited Consolidated Condensed Financial Statements.



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TEJON RANCH CO. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands, except shares outstanding)

	Common Stock Shares Outstanding	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
<b>Balance at January 1, 2005</b>	16,386,499	\$ 8,193	\$ 91,388	\$ (1,643)	\$ 34,155	\$ 132,093
Net income					1,546	1,546
Changes in unrealized losses on available-for-sale securities, net of taxes of \$553				(737)		(737)
Benefit plan adjustments, net of taxes \$497				(665)		(665)
Equity in other comprehensive income of unconsolidated joint venture, net of taxes of \$61				80		80
Comprehensive loss						