

LITHIA MOTORS INC  
Form SC 13G/A  
February 06, 2008

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 13G**

**Under the Securities Exchange Act of 1934**  
**(Amendment No. 3)\***

LITHIA MOTORS INC-CL A

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(Name of Issuer)

Common Stock

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(Title of Class of Securities)

536797103

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(CUSIP Number)

December 31, 2007

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

Rule 13d-1(b)

Rule 13d-1(c)

Rule 13d-1(d)

\* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 ( Act ) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No. 536797103

1. Names of Reporting Persons.

I.R.S. Identification Nos. of above persons (entities only).

Dimensional Fund Advisors LP (Tax ID: 30-0447847)

2. Check the Appropriate Box if a Member of a Group (See Instructions)

(a)

(b)

3. SEC Use Only

4. Citizenship or Place of Organization

Delaware Limited Partnership

5. Sole Voting Power

Number of

Shares

Beneficially 1226917 \*\*see Note 1\*\*

6. Shared Voting Power

Owned by

Each

Reporting

0

Person

7. Sole Dispositive Power

With

1226917 \*\*see Note 1\*\*

8. Shared Dispositive Power

0

9. Aggregate Amount Beneficially Owned by Each Reporting Person

1226917 \*\*see Note 1\*\*

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)

N/A

11. Percent of Class Represented by Amount in Row (9)

7.69%

12. Type of Reporting Person (See Instructions)

IA

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Item 1.

- (a) Name of Issuer

LITHIA MOTORS INC-CL A

- (b) Address of Issuer's Principal Executive Offices

360 E Jackson St, Medford, OR 97501-5892

Item 2.

- (a) Name of Person Filing

Dimensional Fund Advisors LP

- (b) Address of Principal Business Office or, if none, Residence

1299 Ocean Avenue, Santa Monica, CA 90401

- (c) Citizenship

Delaware Limited Partnership

- (d) Title of Class of Securities

Common Stock

- (e) CUSIP Number

536797103

Item 3. If this statement is filed pursuant to §§240.13d-1(b) or 240.13d-2(b) or (c), check whether the person filing is a:

- (a)  Broker or dealer registered under section 15 of the Act (15 U.S.C. 78o).
- (b)  Bank as defined in section 3(a)(6) of the Act (15 U.S.C. 78c).
- (c)  Insurance company as defined in section 3(a)(19) of the Act (15 U.S.C. 78c).
- (d)  Investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8).
- (e)  An investment adviser in accordance with §240.13d-1(b)(1)(ii)(E);
- (f)  An employee benefit plan or endowment fund in accordance with §240.13d-1(b)(1)(ii)(F);
- (g)  A parent holding company or control person in accordance with § 240.13d-1(b)(1)(ii)(G);
- (h)  A savings associations as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C. 1813);
- (i)  A church plan that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940 (15 U.S.C. 80a-3);
- (j)  Group, in accordance with §240.13d-1(b)(1)(ii)(J).

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Item 4. Ownership.

Provide the following information regarding the aggregate number and percentage of the class of securities of the issuer identified in Item 1.

(a) Amount beneficially owned:

1226917 \*\*see Note 1\*\*

(b) Percent of class:

7.69%

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(c) Number of shares as to which the person has:

(i) Sole power to vote or to direct the vote:

1226917 \*\*see Note 1\*\*

(ii) Shared power to vote or to direct the vote:

0

(iii) Sole power to dispose or to direct the disposition of:

1226917 \*\*see Note 1\*\*

(iv) Shared power to dispose or to direct the disposition of:

0

\*\* Note 1 \*\* Dimensional Fund Advisors LP (formerly, Dimensional Fund Advisors Inc.) ( Dimensional ), an investment advisor registered under Section 203 of the Investment Advisors Act of 1940, furnishes investment advice to four investment companies registered under the Investment Company Act of 1940, and serves as investment manager to certain other commingled group trusts and separate accounts. These investment companies, trusts and accounts are the Funds. In its role as investment advisor or manager, Dimensional possesses investment and/or voting power over the securities of the Issuer described in this schedule that are owned by the Funds, and may be deemed to be the beneficial owner of the shares of the Issuer held by the Funds. However, all securities reported in this schedule are owned by the Funds. Dimensional disclaims beneficial ownership of such securities. In addition, the filing of this Schedule 13G shall not be construed as an admission that the reporting person or any of its affiliates is the beneficial owner of any securities covered by this Schedule 13G for any other purposes than Section 13(d) of the Securities Exchange Act of 1934.

Item 5. Ownership of Five Percent or Less of a Class

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following [ ].

Item 6. Ownership of More than Five Percent on Behalf of Another Person.

The Funds described in Note 1 above have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the securities held in their respective accounts. To the knowledge of Dimensional, the interest of any one such Fund does not exceed 5% of the class of securities. Dimensional disclaims beneficial ownership of all such securities.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company or Control Person.

N/A

Item 8. Identification and Classification of Members of the Group

N/A

Item 9. Notice of Dissolution of Group

N/A

Item 10. Certification

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By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.



**SIGNATURE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

DIMENSIONAL FUND ADVISORS LP

February 6, 2008

\_\_\_\_\_  
Date

By: Dimensional Holdings Inc., General Partner

/s/ Christopher Crossan

\_\_\_\_\_  
Signature

Global Chief Compliance Officer

\_\_\_\_\_  
Title

r lemon prices in the marketplace. Volume and price returned to historical average levels in fiscal year 2010 following the oversupply of the global lemon market experienced in fiscal year 2009. During fiscal years 2010 and 2009, 1.4 million and 1.3 million cartons of lemons were sold at an average price per carton of \$18.93 and \$15.72, respectively. Lemon prices were low in fiscal year 2009 as compared to fiscal year 2010 primarily due to a significant oversupply of product in 2009 resulting from simultaneous production recoveries in California, Argentina, Chile and Spain after damaging freezes in 2007.

- Avocado revenue for fiscal year 2010 was \$11.5 million compared to \$4.0 million in fiscal year 2009. The 188% increase of \$7.5 million was primarily due to increased production in fiscal year 2010. The California avocado crop typically experiences alternating years of high and low production due to plant physiology and, as a result, we expect our avocado production to be lower in fiscal year 2011 than in fiscal year 2010. During fiscal years 2010 and 2009, 17.7 million and 2.4 million pounds of avocados were sold at an average price per pound of \$0.65 and \$1.11, respectively. Fiscal year 2009 revenue included a \$1.3 million estimated crop insurance claim settlement.
- A higher quality crop of Navel oranges in fiscal year 2010 compared to fiscal year 2009 resulted in increased sales at the retail level, which resulted in an 84% increase of \$1.6 million in revenue for this crop. During fiscal year 2010, the Company received an average return of \$10.40 on 337,000 field boxes versus \$9.96 on 194,000 field boxes in fiscal year 2009.
- Larger volumes and higher sales prices in our specialty crops contributed to a 57% increase of \$1.2 million in specialty citrus crop revenues for fiscal year 2010 compared to fiscal year 2009. As the Company's specialty citrus orchards mature, their production has increased. Additionally, international embargos drove higher prices in the market place for the Company's pistachio crop. During fiscal year 2010, 59,000 field boxes of Cara Cara navels were harvested compared to 30,000 field boxes harvested in fiscal year 2009. In fiscal year 2010, 35,000 field boxes of Satsuma mandarins were harvested compared to 15,000 field boxes in fiscal year 2009. Additionally, the Company realized pistachio revenues of \$669,000 in fiscal year 2010 compared to \$372,000 in fiscal year 2009.
- Real estate revenue was \$3.3 million for fiscal year 2010 compared to \$39,000 for fiscal year 2009. The \$3.2 million increase was primarily the result of the sale of the Cactus Wren project in Arizona for \$3,000,000.



## Costs and Expenses

Total costs and expenses for fiscal year 2010 were \$51.2 million compared to \$42.3 million for fiscal year 2009. This 21% increase of \$8.9 million was primarily attributable to increases in our agriculture costs, real estate development expenses net of impairment charges, and selling, general and administrative expenses of \$4.2 million, \$0.3 million and \$4.2 million, respectively. Costs associated with our agriculture business include packing costs, harvest costs, growing costs, costs related to the lemons we process and sell for third-party growers, and depreciation expense. These costs are discussed further below:

- Harvest costs for fiscal year 2010 were \$6.5 million compared to \$4.6 million for fiscal year 2009. This 41% increase of \$1.9 million primarily resulted from 15.3 million more pounds of avocados being harvested during fiscal year 2010 compared to fiscal year 2009.
- Costs related to the lemons that we process and sell for third-party growers were \$5.2 million for fiscal year 2010 compared to \$3.7 million for fiscal year 2009. This 41% increase of \$1.5 million was attributable to higher sales prices per carton, which directly correlates to amounts expensed and paid to third party growers in fiscal year 2010 compared to fiscal year 2009. This increase was partially offset by a \$0.3 million decrease in lemon packing costs.
- Growing costs for fiscal year 2010 were \$10.2 million compared to \$9.1 million for fiscal year 2009. This 12% increase of \$1.1 million was primarily attributable to higher expenditures for fertilization, water, soil amendments and general tree care during fiscal year 2010 compared to fiscal year 2009. Due to reduced agriculture revenue in fiscal year 2009, the Company delayed expenditures for certain growing costs until fiscal year 2010.

Real estate development expenses consist of costs incurred for our various real estate projects, impairment charges and depreciation expense. Real estate development expenses for fiscal year 2010 were \$6.8 million compared to \$6.5 million for fiscal year 2009. This 5% increase of \$0.3 million was primarily attributable to the following:

- Operating expenses of \$1.1 million at our Windfall Investors, LLC (“Windfall Investors”) real estate development project in Creston, California, which was not a part of our operations until fiscal year 2010.
  - Cost of sales of \$3.0 million during fiscal year 2010 associated with the sale of the Cactus Wren property.
- Offsetting the increased costs noted above was a \$3.8 million decrease in the impairments of real estate development assets for fiscal year 2010 compared to fiscal year 2009. As the rate of decline in real estate values slowed, the Company incurred \$2.4 million of impairment charges during fiscal year 2010 compared to \$6.2 million for fiscal year 2009.

Selling, general and administrative expenses for fiscal year 2010 were \$10.7 million compared to \$6.5 million for fiscal year 2009. This 65% increase of \$4.2 million is primarily attributable to the following:

- Legal and accounting expenses of \$1.4 million associated with the filing of our Form 10 and other costs associated with the filing of quarterly reports on Form 10-Q and current reports on Form 8-K as well as our compliance with other obligations of the Securities Exchange Act of 1934 and the listing of our common stock on the NASDAQ Global Market. Incremental costs of being a public company are estimated to be approximately \$1.0 million per year going forward.
- A \$1.3 million charge associated with the forgiveness of notes receivable from three of our senior executive officers. These notes were issued to the officers to allow them to pay the payroll taxes associated with compensation for shares issued to them under our stock grant performance bonus plan. During the first quarter of

fiscal 2010, the outstanding balances of these loans were repaid by the officers by exchanging 6,756 of the shares issued to them valued at \$150.98 per shares, which was the current market value on the date they were exchanged (and was prior to our 10-for-1 stock split) and loan forgiveness by the Company totaling \$0.7 million. The loan forgiveness resulted in additional compensation to the officers and the Company paid on their behalf, \$0.6 million in payroll taxes associated with this compensation.

- A \$0.6 million expense associated with the first-year vesting of a stock grant to management for fiscal year 2010 performance.
- Employee incentive expenses of \$0.4 million, compared to employee incentive expenses of zero in fiscal year 2009. Additionally, labor and benefits expenses were \$0.4 million higher in fiscal year 2010 compared to fiscal year 2009 due to an increase in salaries and personnel associated with our registration under the Exchange Act and the related periodic reporting and other requirements related thereto.

#### Other Income/Expense

Other income (expense) for fiscal year 2010 was \$3.2 million of expense compared to \$2.5 million of income for fiscal year 2009. The \$5.7 million increase in expense consists of the following:

- For fiscal 2010, other expense includes \$1.6 million of interest expense, \$2.0 million of interest expense related to derivative instruments, \$0.1 million of interest income and \$0.3 million of other miscellaneous income.
- For fiscal 2009, other income includes \$0.7 million of interest expense, \$2.7 million of gain on sale of 335,000 shares of stock in Calavo Growers, Inc., \$0.2 million of interest income and \$0.3 million of other miscellaneous income.

The \$0.9 million increase in interest expense in fiscal 2010 is primarily the result of an average higher debt level during fiscal 2010 compared to fiscal 2009 due to the assumption of an additional \$19.3 million in long-term debt in connection with the acquisition of Windfall Investors in November 2009. Average debt levels in fiscal 2010 were approximately \$87.9 million compared to approximately \$73.2 million in fiscal 2009, which is an increase of approximately \$14.7 million.

The \$2.0 million increase in interest expense related to derivative instruments in fiscal year 2010 is the result of recording \$1.4 million of adjustments to the underlying fair value liability for our interest rate swap plus \$0.6 million of amortization related to fair value adjustments for interest rate swaps previously deferred and recorded in other comprehensive income (loss).

#### Income Taxes

The Company recorded an income tax benefit of \$72,000 for fiscal year 2010 on pre-tax income from continuing operations of \$0.3 million compared to an income tax benefit of \$2.3 million for fiscal year 2009 on pre-tax losses from continuing operations of \$5.2 million.

Our effective tax rate is 24.5% for fiscal year 2010 compared to an effective rate of 44.3% for fiscal year 2009. The primary reasons for this change in our effective tax rate were decreases in the dividend exclusion and allowable domestic production deduction and decreases in the change in unrecognized tax benefits, net of other nondeductible items in fiscal year 2010 over the fiscal year 2009 amounts.

#### Fiscal Year 2009 Compared to Fiscal Year 2008

#### Revenues

Total revenue for fiscal year 2009 was \$34.8 million compared to \$53.5 million for fiscal year 2008. The 35% decrease of \$18.7 million was primarily the result of decreased agricultural revenue, as detailed below:

- Lemon revenue for fiscal year 2009 was \$22.3 million compared to \$40.3 million for fiscal year 2008. The 45% decrease of \$18.0 million was primarily the result of less volume sold at lower lemon prices in the marketplace. During fiscal years 2009 and 2008, 1.3 million and 1.4 million cartons of lemons were sold at an average price per carton of \$15.72 and \$27.15, respectively. The global lemon market experienced an over-supply during fiscal year 2009 compared to a weather-related shortage during fiscal year 2008. Prices per carton were \$15.72 and \$27.15 for fiscal years 2009 and 2008, respectively. Lemon prices in fiscal year 2008 were high due to the Company experiencing minimal impact from adverse global climate conditions in fiscal year 2007 that reduced lemon production in California, Argentina, Chile and Spain. This circumstance enabled the Company to achieve over 70%

fresh utilization, compared to a historical average of approximately 65%, at record sales prices for lemons in fiscal year 2008.

- Avocado revenue for fiscal year 2009 was \$4.0 million compared to \$3.5 million for fiscal year 2008, resulting in a 14% increase of \$0.5 million. We harvested 2.4 million pounds of avocados during fiscal year 2009 compared to 3.7 million pounds during fiscal year 2008. This 1.3 million pound decrease in production was offset by a \$1.3 million estimated crop insurance claim settlement recorded in fiscal year 2009 and is attributable to an unseasonable heat event experienced during the bloom and set cycle of Spring 2008 and the low fiscal year 2008 harvest is due to unseasonably cold weather in fiscal year 2007.
- Navel orange revenue for fiscal year 2009 was \$1.9 million compared to \$2.4 million for fiscal year 2008, resulting in a 21% decrease of \$0.5 million.
- Specialty citrus and other crop revenue for fiscal year 2009 was \$2.1 million compared to \$2.9 million for fiscal year 2008, resulting in a 28% decrease of \$0.8 million.

## Costs and Expenses

Total costs and expenses for fiscal year 2009 were \$42.3 million compared to \$47.7 million for fiscal year 2008. This 11% decrease of \$5.4 million was primarily attributable to decreases in agriculture costs, increases in real estate development expenses and decreases in selling, general and administrative expenses.

Costs associated with our agriculture business include packing costs, harvest costs, growing costs, costs related to the lemons we process and sell for third-party growers, and depreciation expense. These costs are discussed further below:

- Costs related to the lemons that we process and sell for third-party growers for fiscal year 2009 were \$3.7 million compared to \$7.1 million for fiscal year 2008. This 48% decrease of \$3.4 million was attributable to less volume sold at lower lemon prices in fiscal year 2009 compared to fiscal year 2008.
- Growing costs for fiscal year 2009 were \$9.1 million compared to \$11.7 million for fiscal year 2008. This 22% decrease of \$2.6 million was attributable to lower fuel prices and pesticide costs, and the delaying of certain growing costs in fiscal year 2009 compared to fiscal year 2008. Additionally, during fiscal year 2008 we recorded a \$1.2 million write-off in connection with the disposal of 133 acres of specialty crop orchards.
- Harvest costs for fiscal year 2009 were \$4.6 million compared to \$5.3 million for fiscal year 2008. This 13% decrease of \$0.7 million was primarily attributable to a decrease in avocado production from 2.4 million pounds in fiscal year 2009 compared to 3.7 million pounds in fiscal year 2008.
- Packing costs were \$0.7 million lower during fiscal year 2009 compared to fiscal year 2008 as a result of lower volume and lower electricity costs associated with the completion of a one-megawatt solar generator.

Real estate development expenses consist of costs incurred for our various real estate projects, impairment charges and depreciation expense. During fiscal year 2009, costs associated with our real estate development business were \$6.5 million compared to costs of \$2.3 million in fiscal year 2008. This \$4.2 million increase was primarily attributable to the following:

- Due to the continued decline in real estate values, impairment charges for fiscal year 2009 were \$6.2 million compared to \$1.3 million for fiscal year 2008, resulting in a \$4.9 million increase.
- Offsetting the increased impairment charges noted above was a \$0.9 million decrease in expenses associated with our East Areas 1 and 2 Project. The majority of the expenses for planning and entitlement related to this project were incurred in fiscal year 2008 and prior years.

Selling, general and administrative expenses for fiscal year 2009 were \$6.5 million compared to \$8.3 million for fiscal year 2008. This 22% decrease of \$1.8 million primarily consists of the following:

- Employee incentive expenses were zero in fiscal year 2009 compared to \$1.5 million in fiscal year 2008 due to lower operating performance in fiscal year 2009 compared to fiscal year 2008.
- Consulting, travel, promotions and other miscellaneous expenses were \$0.5 million lower in fiscal year 2009 compared to fiscal year 2008 due to austerity measures implemented during fiscal year 2009 as a response to lower agriculture revenues.
- Partially offsetting these decreases were \$0.2 million of higher legal, audit and SEC compliance expenses for fiscal year 2009 compared to fiscal year 2008 associated with the Company's NASDAQ listing in fiscal year 2010.





### Other Income/Expense

Other income (expense) for fiscal year 2009 was \$2.5 million of income compared to \$0.1 million of expense for fiscal year 2008. The \$2.6 million increase in income consists of the following:

- For fiscal year 2009, other income includes \$0.7 million of interest expense, \$2.7 million of gain on sale of 335,000 shares of stock in Calavo Growers, Inc. for net proceeds of \$6.1 million, \$0.2 million of interest income and \$0.3 million of other miscellaneous income.
- For fiscal year 2008, other expense includes \$1.4 million of interest expense, \$0.9 million of interest income and \$0.4 million of other miscellaneous income.

Average debt levels in fiscal year 2009 and 2008 were approximately \$73.2 million and \$44.3 million, respectively. Interest expense was lower in fiscal year 2009 compared to fiscal year 2008 due to lower interest rates and higher debt levels being offset by higher interest capitalization on real estate development projects during fiscal 2009.

### Income Taxes

The Company recorded an income tax benefit of \$2.3 million for fiscal year 2009 on pre-tax loss from continuing operations of \$5.2 million compared to an income tax provision of \$2.1 million for fiscal year 2008 on pre-tax income from continuing operations of \$5.9 million.

Our effective tax rate was 44.3% for fiscal year 2009 compared to an effective rate of 36.1% for fiscal year 2008. The primary reasons for this change in our effective tax rate were a decrease in the allowable domestic production deduction, an increase in the change in unrecognized tax benefits and an increase in other nondeductible items in fiscal year 2009 over the fiscal year 2008 amounts.

### Segment Results of Operations

We evaluate the performance of our agriculture business, rental operations and real estate development segments separately to monitor the different factors affecting financial results. Each segment is subject to review and evaluations related to current market conditions, market opportunities and available resources. The following table shows the segment results of operations for the years ended October 31:

	Years Ended October, 31					
	2010		2009		2008	
	\$	%	\$	%	\$	%
<b>Revenues:</b>						
Agriculture	\$ 47,034,000	87%	\$ 31,033,000	89%	\$ 49,794,000	93%
Rental operations	3,976,000	7%	3,766,000	11%	3,718,000	7%
Real estate development	3,274,000	6%	39,000	0%	-	0%
Total revenues	54,284,000	100%	34,838,000	100%	53,512,000	100%
<b>Costs and expenses:</b>						
Agriculture	31,457,000	61%	27,281,000	64%	34,805,000	73%
Rental operations	2,173,000	4%	2,061,000	5%	2,236,000	5%
Real estate development	6,838,000	13%	6,521,000	15%	2,332,000	5%
Corporate and other	10,693,000	21%	6,479,000	15%	8,303,000	17%
Total costs and expenses	51,161,000	100%	42,342,000	100%	47,676,000	100%

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Operating income (loss):

Agriculture	15,577,000	3,752,000	14,989,000
Rental operations	1,803,000	1,705,000	1,482,000
Real estate development	(3,564,000)	(6,482,000)	(2,332,000)
Corporate and other	(10,693,000)	(6,479,000)	(8,303,000)
Total operating income (loss)	\$ 3,123,000	\$ (7,504,000)	\$ 5,836,000

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#### Fiscal Year 2010 Compared to Fiscal Year 2009

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

#### Agriculture

For fiscal year 2010 our agriculture segment revenue was \$47.0 million compared to \$31.0 million for fiscal year 2009. The 52% increase of \$16.0 million reflected higher revenue in most varieties of our crops for fiscal year 2010 compared to fiscal year 2009. The increase in agriculture revenue primarily consists of the following:

- Lemon revenue for fiscal year 2010 was \$5.9 million higher than fiscal year 2009.
- Avocado revenue for fiscal year 2010 was \$7.5 million higher than fiscal year 2009.
- Navel orange revenue in fiscal year 2010 was \$1.6 million higher than in fiscal year 2009.
- Valencia orange revenue for fiscal year 2010 was \$0.5 million compared to \$0.7 million in fiscal year 2009.
- Specialty citrus and other crop revenue for fiscal year 2010 was \$1.1 million higher than fiscal year 2009.

Costs associated with our agriculture business include packing costs, harvest costs, growing costs, costs related to the lemons we process and sell for third-party growers, and depreciation expense. For fiscal year 2010, our agriculture costs and expenses were \$31.5 million compared to \$27.3 million for fiscal year 2009. The 15% decrease of \$4.2 million primarily consists of the following:

- Harvest costs for fiscal year 2010 were \$1.9 million higher than fiscal year 2009.
- Cost related to the lemons we process and sell for third-party growers for fiscal year 2010 were \$1.5 million higher than fiscal year 2009.
- Growing costs for fiscal year 2010 were \$1.2 million higher than fiscal year 2009.
- Partially offsetting these increases was a \$0.3 million decrease in packing costs in fiscal year 2010 compared to fiscal year 2009.
- Depreciation expense was similar year to year at approximately \$1.6 million.

#### Rental Operations

Our rental operations revenue for fiscal year 2010 was \$4.0 million compared to \$3.8 million in fiscal year 2009 resulting in an increase of \$0.2 million. Revenues for all three areas of this segment (residential and commercial rentals, leased land and organic recycling) were similar year to year.

Expenses in our rental operations segment for fiscal year 2010 were \$0.1 million higher than fiscal year 2009 due to increased repairs and maintenance costs for our residential rental facilities. Depreciation expense was similar year to year.

#### Real Estate Development

Our real estate development segment revenue for fiscal year 2010 was \$3.2 million higher than fiscal year 2009.

Costs and expenses in our real estate development segment for fiscal year 2010 were \$0.3 million higher than fiscal year 2009.

Corporate and Other

Corporate costs and expenses include selling, general and administrative expenses and other costs not allocated to the operating segments. Corporate and other costs for fiscal year 2010 were \$4.2 million higher than fiscal year 2009. Depreciation expense was similar year to year.

#### Fiscal Year 2009 Compared Fiscal Year 2008

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

#### Agriculture

For fiscal year 2009 our agriculture segment revenue was \$31.0 million compared to \$49.8 million for fiscal year 2008. The 38% decrease of \$18.8 million primarily reflected lower revenue for lemons in fiscal year 2009 compared to fiscal year 2008:

- Lemon revenue for fiscal year 2009 was \$18.0 million lower than fiscal year 2008.
- Avocado revenue for fiscal year 2009 was \$0.5 million higher than fiscal year 2008.
- Navel orange revenue was \$1.9 million for fiscal year 2009 compared to \$2.4 million for fiscal year 2008, resulting in decrease of \$0.5 million.
  - Valencia orange revenue did not materially change in fiscal year 2009 from fiscal year 2008.
- Specialty citrus and other crop revenue was \$2.1 million for fiscal year 2009 compared to \$2.9 million for fiscal year 2008 resulting in a decrease of \$0.8 million.

Costs associated with our agriculture business include packing costs, harvest costs, growing costs, costs related to the lemons we process and sell for third-party growers, and depreciation expense. For fiscal year 2009 our agriculture costs and expenses were \$27.3 million compared to \$34.8 million for fiscal year 2008. The 22% decrease of \$7.5 million primarily consists of the following:

- Costs related to the lemons we process and sell for third-party growers for fiscal year 2009 were \$3.4 million lower than fiscal year 2008.
  - Growing costs for fiscal year 2009 were \$2.6 million lower than fiscal year 2008.
  - Harvest costs for fiscal year 2009 were \$0.7 million lower than fiscal year 2008.
- Packing costs for fiscal year 2009 were \$8.3 million compared to \$9.0 million for fiscal year 2008, resulting in a \$0.7 million decrease.
- Depreciation expense for fiscal year 2009 was \$1.6 million compared to \$1.7 million for fiscal year 2008, resulting in a \$0.1 million decrease.

#### Rental Operations

Our rental operations revenue for fiscal year 2009 was \$3.8 million compared to \$3.7 million in fiscal year 2008, resulting in a \$0.1 million increase. Revenues for all three areas of this segment (residential and commercial rental operations, leased land and organic recycling) were similar year to year.

Expenses in our rental operations segment for fiscal year 2009 were \$0.1 million lower than fiscal year 2008 due to decreased repairs and maintenance costs for our residential facilities. Depreciation expense was similar year to year.

#### Real Estate Development

Our real estate development segment revenue for fiscal year 2009 was \$39,000 higher than fiscal year 2008. The fiscal year 2009 revenue consists of incidental revenue from one of the Arizona Development Projects.

Costs and expenses in the real estate development segment for fiscal year 2009 were \$4.2 million higher than fiscal year 2008.

#### Corporate and Other

Corporate costs and expenses include selling, general and administrative expenses and other costs not allocated to the operating segments. Corporate and other costs for fiscal year 2009 were \$1.8 million lower than fiscal year 2009. Depreciation expense was similar year to year.

## Quarterly Results of Operations

The following table presents the Company's operating results for each of the eight fiscal quarters in the period ended October 31, 2010. The information for each of these quarters is derived from our unaudited interim financial statements and should be read in conjunction with the audited consolidated financial statements included in this Annual Report. In our opinion, all necessary adjustments, which consist only of normal and recurring accruals, have been included to fairly present our unaudited quarterly results. As with any agriculture enterprise, our agriculture operations are highly seasonal in nature. The harvest and sale of our lemons, avocados, oranges and specialty citrus and other crops occurs in all quarters, but is generally more concentrated during the second and third quarters.

(in thousands, except per common share amounts) Statement of Operations Data:	Three Months Ended 2010			
	Oct. 31,	July 31,	Apr. 30,	Jan. 31,
Revenues	\$ 12,483	\$ 22,230	\$ 13,209	\$ 6,362
Costs and expenses	14,598	13,236	12,184	11,143
Operating income (loss)	(2,115)	8,994	1,025	(4,781)
Other income (loss), net	(817)	(1,396)	(925)	(36)
Income (loss) from continuing operations before (provision) benefit for income taxes and equity earnings (loss) of investments	(2,932)	7,598	100	(4,817)
Income tax (provision) benefit	1,115	(2,704)	(48)	1,709
Equity earnings (loss) of investments	270	27	64	(16)
Income (loss) from continuing operations	(1,547)	4,921	116	(3,124)
Loss from discontinued operations, net of tax	(25)	(6)	(4)	(8)
Net Income (loss)	(1,572)	4,915	112	(3,132)