WALFISH MARC JAY
Form 4
December 03, 2018

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
WALFISH MARC JAY

(Last) (First) (Middle)

1100 N. WOOD DALE ROAD

(Street)

WOOD DALE, IL 60191

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
AAR CORP [AIR]

3. Date of Earliest Transaction (Month/Day/Year)
12/03/2018

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director
_____ 10% Owner
_____ Officer (give title below)
_____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)

Derivative Security						Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)					
			Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Phantom Stock	$ 44.62	12/03/2018	A		396		12/03/2018	09/30/2024(1)	Common Stock	396

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
WALFISH MARC JAY 1100 N. WOOD DALE ROAD WOOD DALE, IL 60191	X			

Signatures

/s/ Jo-Ellen Kiddie, Power of Attorney	12/03/2018
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Phantom stock units are payable in stock on a 1-for-1 basis or cash at the grantee's election upon retirement/termination as a director.

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Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. 0 90,000 19% Agribusiness revenues $28,466,000 $35,173,000 $(6,707,000) (19)%

- Lemons: The decrease in the third quarter of fiscal year 2015 was primarily the result of lower volume of fresh lemons sold partially offset by higher prices compared to the same period in fiscal year 2014. During the third quarters of fiscal years 2015 and 2014, fresh lemon sales were $21.3 million and $24.1 million, respectively, on 759,000 and 938,000 cartons of lemons sold at average per carton prices of $28.06 and $25.69, respectively. Lemon by-product and other lemon sales were $2.6 million and $2.7 million in the third quarter of fiscal years 2015 and 2014, respectively.

- Avocados: The decrease in the third quarter of fiscal year 2015 was primarily the result of decreased prices and volume of avocados sold compared to the same period in fiscal year 2014. Due to early maturing of the California crop and in response to Peruvian avocados that arrived in the U.S. market in June, we accelerated our harvest plan to March through June in fiscal year 2015 compared to April through July in fiscal year 2014. During the third quarter of fiscal year 2015, 3.1 million pounds of avocados were sold at an average per pound price of $0.98 compared to 5.5 million pounds sold at an average per pound price of $1.12 during the same period in fiscal year 2014.

- Navel and Valencia oranges: The decrease in the third quarter of fiscal year 2015 was attributable to lower volume of oranges sold partially offset by higher prices compared to the same period in fiscal year 2014. In the third quarter of fiscal year 2015, 123,000 40-pound carton equivalents of oranges were sold at average per carton prices of $8.29 compared to 249,000 40-pound carton equivalents sold at average per carton prices of $6.87 in the third quarter of fiscal year 2014.

- Specialty citrus and other crops: The increase in the third quarter of fiscal year 2015 was primarily the result of increased prices of specialty citrus sold partially offset by lower volume compared to the same period in fiscal year 2014. During the third quarter of fiscal year 2015, 18,000 40-pound carton equivalents of specialty citrus were sold at an average per carton price of $31.11 compared to 27,000 40-pound carton equivalents sold at an average per carton price of $17.41 during the same period in fiscal year 2014.

Costs and Expenses

Our total costs and expenses in the third quarter of fiscal year 2015 were $22.0 million compared to $23.1 million in the third quarter of fiscal year 2014, for a 5% decrease of $1.1 million. This decrease was primarily attributable to decreases in our agribusiness costs, real estate development expenses and selling, general and administrative expenses. Costs associated with our agribusiness include packing costs, harvest costs, growing costs, costs related to the fruit we procure and sell for third-party growers and depreciation expense. These costs are discussed further below:

	Agribusiness Costs and Expenses for the Quarters Ended July 31,			
	2015	2014	Change	
Packing costs	$5,155,000	$5,055,000	$100,000	2%
Harvest costs	2,549,000	2,597,000	(48,000)	(2)%
Growing costs	4,030,000	4,159,000	(129,000)	(3)%
Third-party grower costs	4,946,000	5,266,000	(320,000)	(6)%
Depreciation and amortization	791,000	728,000	63,000	9%
Agribusiness costs and expenses	$17,471,000	$17,805,000	$(334,000)	(2)%

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- Packing costs: Packing costs consist of the costs to pack lemons for sale such as labor and benefits, cardboard cartons, fruit treatments, packing and shipping supplies and facility operating costs. The increase in the third quarter of fiscal year 2015 is primarily due to $0.2 million of costs at our Yuma, Arizona packinghouse which was acquired in June 2014 and higher per carton packing costs. During the third quarter of fiscal year 2015, we packed and sold 759,000 cartons of lemons at average per carton costs of $6.79 compared to 938,000 cartons of lemons packed and sold at average per carton costs of $5.39 during the same period in fiscal year 2014. The higher average per carton costs in the third quarter of fiscal year 2015 are primarily attributable to lower volume of lemons packed and sold compared to the same period in 2014.

- Harvest costs: The decrease in the third quarter of fiscal year 2015 is primarily attributable to decreased volume of avocados harvested partially offset by increased cost of lemons harvested compared to the same period in fiscal year 2014.

- Growing costs: Growing costs, also referred to as cultural costs, consist of orchard maintenance costs such as cultivation, fertilization and soil amendments, pest control, pruning and irrigation. The decrease in the third quarter of fiscal year 2015 is primarily due to decreased lease expense of $0.1 million and net decreased costs of $0.1 million for fertilization and soil amendments, pruning and irrigation compared to the same period in fiscal year 2014. These net decreases primarily reflect farm management decisions based on weather, harvest timing and crop conditions.

- Third-party grower costs: We sell fruit that we grow and fruit that we procure from other growers. The cost of procuring fruit from other growers is referred to as third-party grower costs. The decrease in the third quarter of fiscal year 2015 is primarily attributable to decreased volume of third-party grower lemons sold, partially offset by higher prices. Of the 759,000 and 938,000 cartons sold during the third quarter of fiscal years 2015 and 2014, respectively, 207,000 (27%) and 234,000 (25%) were procured from third-party growers at average per carton prices of $22.93 and $20.76, respectively. Additionally, we incurred $0.2 million of costs for purchased, packed fruit to sell in the third quarter of fiscal year 2015 compared to $0.4 million during the same period in fiscal year 2014.

- Depreciation expense for the third quarter of fiscal year 2015 was approximately $0.1 million higher than the third quarter of fiscal year 2014 due to an increase in assets placed into service and the acquisition of our Yuma packinghouse in June 2014.

Real estate development expenses in the third quarter of fiscal year 2015 were $0.3 million compared to $0.9 million during the same period in fiscal year 2014. In July 2014, we recognized an impairment charge of $0.4 million on our Templeton Santa Barbara, LLC real estate development project. There were no impairment charges recognized in the third quarter of fiscal year 2015.

Selling, general and administrative expenses in the third quarter of fiscal year 2015 were $3.3 million compared to $3.6 million during the same period in fiscal year 2014. The $0.3 million decrease in the third quarter of fiscal year 2015 is primarily due to decreased incentive compensation of $0.9 million partially offset by increased legal and consulting expenses of $0.5 million associated with our East Area 1 real estate development project.

Other Income/Expense

Other income (expense), net was $0.3 million of income for the third quarter of fiscal year 2015 compared to $0.2 million of income for the third quarter of fiscal year 2014. The approximately $0.1 million increase in income in the third quarter of fiscal year 2015 was primarily due to increased equity in earnings of our investment in Limco Del Mar, Ltd. compared to the same period in fiscal year 2014.

Income Taxes

We recorded an estimated income tax provision of $2.8 million in the third quarter of fiscal year 2015 on pre-tax income of $8.1 million compared to an estimated income tax provision of $4.6 million on pre-tax income of $13.5 million in the third quarter of fiscal year 2014. Our projected annual effective tax rate for fiscal year 2015 is approximately 35.3%.

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Nine Months Ended July 31, 2015 Compared to the Nine Months Ended July 31, 2014

Revenues

Total revenue for the nine months ended July 31, 2015 was $86.1 million compared to $87.2 million for the nine months ended July 31, 2014. The 1% decrease of $1.1 million was primarily the result of decreased agribusiness revenues as detailed below:

	Agribusiness Revenues for the Nine Months Ended July 31,			
	2015	2014	Change	
Lemons	$67,385,000	$65,909,000	$1,476,000	2%
Avocados	7,142,000	7,320,000	(178,000)	(2)%
Navel and Valencia oranges	5,054,000	7,031,000	(1,977,000)	(28)%
Specialty citrus and other crops	2,687,000	3,221,000	(534,000)	(17)%
Agribusiness revenues	$82,268,000	$83,481,000	$(1,213,000)	(1)%

- Lemons: The increase in the nine months ended July 31, 2015 was primarily the result of increased lemon by-product and other lemon sales partially offset by decreased fresh lemon sales compared to the same period in fiscal year 2015. During the nine months ended July 31, 2015 and 2014, fresh lemon sales were $57.3 million and $57.8 million, respectively, on 2,339,000 and 2,460,000 cartons of lemons sold at average per carton prices of $24.50 and $23.49, respectively. Additionally, lemon by-product and other lemon sales were $10.1 million and $8.1 million in the nine months ended July 31, 2015 and 2014, respectively. The $2.0 million increase in the nine months ended July 31, 2015 is primarily due to higher volume of lemons sold for juice and other by-products compared to the same period in fiscal year 2014.

- Avocados: The decrease in the nine months ended July 31, 2015 was primarily the result of decreased prices partially offset by increased volume of avocados sold compared to the same period in fiscal year 2014. In the nine months ended July 31, 2015, 7.0 million pounds of avocados were sold at an average per pound price of $1.02 per pound compared to 6.7 million pounds sold at an average per pound price of $1.09 during the same period in fiscal year 2014.

- Navel and Valencia oranges: The decrease in the nine months ended July 31, 2015 was attributable to lower prices and volume of oranges sold compared to the same period in fiscal year 2014. In the nine months ended July 31, 2015, 688,000 40-pound carton equivalents of oranges were sold at average per carton prices of $7.35 compared to 704,000 40-pound carton equivalents sold at average per carton prices of $9.99 during the same period in fiscal year 2014. The higher prices in the nine months ended July 31, 2014 were primarily due to decreased market supply resulting from a period of freezing temperatures in California's San Joaquin Valley during December 2013.

- Specialty citrus and other crops: The decrease in the nine months ended July 31, 2015 was primarily the result of lower prices and decreased volume of specialty citrus sold compared to the same period in fiscal year 2014. In the nine months ended July 31, 2015, 209,000 40-pound carton equivalents of specialty citrus were sold at an average per carton price of $12.86 compared to 220,000 40-pound carton equivalents sold at an average per carton price of $14.64 during the same period in fiscal year 2014. The higher prices in the nine months ended July 31, 2014 were primarily due to decreased market supply resulting from a period of freezing temperatures in California's San Joaquin Valley during December 2013.

Costs and Expenses

Total costs and expenses for the nine months ended July 31, 2015 were $76.6 million compared to $72.7 million for the nine months ended July 31, 2015, for a 5% increase of $3.9 million. This increase was primarily attributable to increases in our agribusiness costs partially offset by decreased real estate development expenses and selling, general and administrative expenses. Costs associated with our agribusiness include packing costs, harvest costs, growing costs, costs related to the fruit we procure for third-party growers and depreciation expense. These costs are discussed further below:

	Agribusiness Costs and Expenses for the Nine Months Ended July 31,			
	2015	2014	Change	
Packing costs	$16,947,000	$14,141,000	$2,806,000	20%
Harvest costs	9,753,000	9,266,000	487,000	5%
Growing costs	16,050,000	15,567,000	483,000	3%
Third-party grower costs	18,183,000	17,695,000	488,000	3%
Depreciation and amortization	2,375,000	2,061,000	314,000	15%
Agribusiness costs and expenses	$63,308,000	$58,730,000	$4,578,000	8%

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- Packing costs: Packing costs consist of the costs to pack lemons for sale such as labor and benefits, cardboard cartons, fruit treatments, packing and shipping supplies and facility operating costs. The increase in the nine months ended July 31, 2015 was primarily attributable to $2.1 million of costs at our Yuma, Arizona packinghouse which was acquired in June 2014 and higher per carton packing costs. In the nine months ended July 31, 2015, we packed and sold 2,339,000 cartons of lemons and 58,000 cartons of specialty citrus at average per carton costs of $7.07 compared to 2,460,000 cartons of lemons packed and sold at average per carton costs of $5.75 during the same period in fiscal year 2014. The higher average per carton costs in the nine months ended July 31, 2015 are primarily attributable to lower volume of lemons packed and sold compared to the same period in 2014.

- Harvest costs: The increase in the nine months ended July 31, 2015 was primarily attributable to higher lemon and avocado harvest volumes compared to the same period in fiscal year 2014.

- Growing costs: Growing costs, also referred to as cultural costs, consist of orchard maintenance costs such as cultivation, fertilization and soil amendments, pest control, pruning and irrigation. The increase in growing costs in the nine months ended July 31, 2015 is primarily due to net increased costs of $0.8 million for cultivation, fertilization and soil amendments, pest control and pruning partially offset by $0.4 million decreased lease expense compared to the same period in fiscal year 2014. These net increases primarily reflect farm management decisions based on weather, harvest timing and crop conditions.

- Third-party grower costs: We sell fruit that we grow and fruit that we procure from other growers. The cost of procuring fruit from other growers is referred to as third-party grower costs. The increase in the nine months ended July 31, 2015 was primarily attributable to higher prices and volume of third-party grower lemons sold. Of the 2,339,000 and 2,460,000 cartons sold during the nine months ended July 31, 2015 and 2014, respectively, 851,000 (36%) and 850,000 (35%) were procured from third-party growers at average per carton costs of $20.66 and $19.35, respectively. Additionally, we incurred $0.6 million of costs for purchased, packed fruit to sell in the nine months ended July 31, 2015, compared to $1.2 million during the same period in fiscal year 2014.

- Depreciation expense for the nine months ended July 31, 2015 was $0.3 million higher than nine months ended July 31, 2014 due to an increase in assets placed into service and the acquisition of our Yuma, Arizona packinghouse in June 2014.

Real estate development expenses in the nine months ended July 31, 2015 were $0.8 million compared to $1.5 million during the same period in fiscal year 2014. In July 2014, we recognized an impairment charge of $0.4 million on our Templeton Santa Barbara, LLC real estate development project. There were no impairment charges recognized in the nine months ended July 31, 2015.

Selling, general and administrative expenses in the nine months ended July 31, 2015 were $10.1 million compared to $10.3 million during the same period in fiscal year 2014. The $0.2 million decrease in the nine months ended July 31, 2015 was primarily due to decreased incentive compensation of $1.1 million partially offset by increased legal and consulting expenses of $0.7 million associated with our East Area 1 real estate development project.

Other Income (Expense)

Other income, net in the nine months ended July 31, 2015 was similar to the nine months ended July 31, 2014 at $0.4 million.

Income Taxes

We recorded an estimated income tax provision of $3.5 million in the nine months ended July 31, 2015 on a pre-tax income of $9.9 million compared to an estimated income tax provision of $5.0 million on a pre-tax income of $14.9 million in the nine months ended July 31, 2014. Our projected annual effective tax rate for fiscal year 2015 is approximately 35.3%.

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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. 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 three and nine months ended July 31, 2015 and 2014:

	Quarter Ended July 31,				**Nine Months Ended July 31,**			
	2015		**2014**		**2015**		**2014**	
Revenues:								
Agribusiness	$28,466,000	96%	$35,173,000	96%	$82,268,000	96%	$83,481,000	96%
Rental operations	1,311,000	5%	1,182,000	4%	3,769,000	4%	3,483,000	4%
Real estate development	34,000	-	121,000	-	62,000	-	196,000	-
Total revenues	29,811,000	100%	36,476,000	100%	86,099,000	100%	87,160,000	100%
Costs and expenses:								
Agribusiness	17,471,000	80%	17,805,000	77%	63,308,000	83%	58,730,000	81%
Rental operations	907,000	4%	796,000	3%	2,471,000	3%	2,231,000	3%
Real estate development	325,000	1%	855,000	4%	806,000	1%	1,456,000	2%
Corporate and other	3,270,000	15%	3,640,000	16%	10,053,000	13%	10,326,000	14%
Total costs and expenses	21,973,000	100%	23,096,000	100%	76,638,000	100%	72,743,000	100%
Operating income (loss):								
Agribusiness	10,995,000		17,368,000		18,960,000		24,751,000	
Rental operations	404,000		386,000		1,298,000		1,252,000	
Real estate development	(291,000)		(734,000)		(744,000)		(1,260,000)	
Corporate and other	(3,270,000)		(3,640,000)		(10,053,000)		(10,326,000)	
Total operating income	$7,838,000		$13,380,000		$9,461,000		$14,417,000	

Third Quarter of Fiscal Year 2015 Compared to the third Quarter of Fiscal Year 2014

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

Agribusiness

For the third quarter of fiscal year 2015, our agribusiness segment revenue was $28.5 million compared to $35.2 million for the third quarter of fiscal year 2014. The 19% decrease of $6.7 million primarily consisted of the following:

- Lemon revenue for the third quarter of fiscal year 2015 was $3.0 million lower than the third quarter of fiscal year 2014.

- Avocado revenue for the third quarter of fiscal year 2015 was $3.1 million lower than the third quarter of fiscal year 2014.

- Navel and Valencia orange revenues for the third quarter of fiscal year 2015 were $0.7 million lower than the third quarter of fiscal year 2014.

- Specialty citrus and other crop revenues for the third quarter of fiscal year 2015 were $0.1 million higher than the third quarter of fiscal year 2014.

Costs associated with our agribusiness segment include packing costs, harvest costs, growing costs, costs related to the fruit we procure and sell for third-party growers and depreciation expense. For the third quarter of fiscal year 2015, our agribusiness costs were $17.5 million compared to $17.8 million for the third quarter of fiscal year 2014. The 2% decrease of $0.3 million primarily consisted of the following:

- Packing costs for the third quarter of fiscal year 2015 were $0.1 million higher than the third quarter of fiscal year 2014.

- Harvest costs for the third quarter of fiscal year 2015 were similar to the third quarter of fiscal year 2014.

- Growing costs for the third quarter of fiscal year 2015 were $0.1 million lower than the third quarter of fiscal year 2014.

- Third-party grower costs for the third quarter of fiscal year 2015 were $0.3 million lower than the third quarter of fiscal year 2014.

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- Depreciation and amortization expense for the third quarter of fiscal year 2015 was similar to the third quarter of fiscal year 2014.

Rental Operations

For the third quarter of fiscal year 2015 our rental operations had revenues of $1.3 million compared to $1.2 million in the third quarter of fiscal year 2014. The $0.1 million increase in the third quarter of fiscal year 2015 was primarily due to additional rental revenue from our agriculture workforce housing units that we began renting in May 2015.

Costs and expenses in our rental operations segment were $0.9 million and $0.8 million in the third quarters of fiscal years 2015 and 2014, respectively. Depreciation expense was similar quarter to quarter at approximately $0.1 million.

Real Estate Development

Our real estate development segment had no significant revenues in the third quarters of fiscal years 2015 and 2014.

Costs and expenses in our real estate development segment were $0.3 million and $0.9 million in the third quarters of fiscal years 2015 and 2014, respectively.

Corporate and Other

Corporate costs and expenses include selling, general and administrative costs and other costs not allocated to the operating segments. Corporate and other costs for the third quarter of fiscal year 2015 were $3.3 million compared to $3.6 million for the third quarter of fiscal year 2014. Depreciation expense was similar quarter to quarter at approximately $50,000.

Nine Months Ended July 31, 2015 Compared to the Nine Months Ended July 31, 2014

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

Agribusiness

For the nine months ended July 31, 2015, our agribusiness segment revenue was $82.3 million compared to $83.5 million for the nine months ended July 31, 2014. The 1% decrease of $1.2 million primarily consisted of the following:

- Lemon revenue for the nine months ended July 31, 2015 was $1.5 million higher than the nine months ended July 31, 2014.
- Avocado revenue for the nine months ended July 31, 2015 was $0.2 million lower than the nine months ended July 31, 2014.
- Navel and Valencia orange revenues for the nine months ended July 31, 2015 were $2.0 million lower than the nine months ended July 31, 2014.
- Specialty citrus and other crop revenues for the nine months ended July 31, 2015 were $0.5 million lower than the nine months ended July 31, 2014.

Costs associated with our agribusiness segment include packing costs, harvest costs, growing costs, costs related to the fruit we procure and sell for third-party growers and depreciation expense. For the nine months ended July 31, 2015, our agribusiness costs and expenses were $63.3 million compared to $58.7 million for the nine months ended July 31, 2014. The 8% increase of $4.6 million primarily consisted of the following:

- Packing costs for the nine months ended July 31, 2015 were $2.8 million higher than the nine months ended July 31, 2014.
- Harvest costs for the nine months ended July 31, 2015 were $0.5 million higher than the nine months ended July 31, 2014.
- Growing costs for the nine months ended July 31, 2015 were $0.5 million higher than the nine months ended July 31, 2014.
- Third-party grower costs for the six months ended July 31, 2015 were $0.5 million higher than the nine months ended July 31, 2014.

- Depreciation and amortization expense for the nine months ended July 31, 2015 was $0.3 million higher than the nine months ended July 31, 2014.

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Rental Operations

Our rental operations segment had revenues of approximately $3.8 million and $3.5 million in the nine months ended July 31, 2015 and 2014, respectively. The $0.3 million increase in the third quarter of fiscal year 2015 was primarily due to additional rental revenue from our agriculture workforce housing units that we began renting in May 2015 and increased organic recycling and other revenue.

Costs in our rental operations segment were approximately $2.5 million and $2.2 million for the nine months ended July 31, 2015 and 2014, respectively. Depreciation expense was $0.4 million and $0.3 million for the nine months ended July 31, 2015 and 2014, respectively.

Real Estate Development

Our real estate development segment had revenues of approximately $0.1 million and $0.2 million in the nine months ended July 31, 2015 and 2014, respectively.

Real estate development costs and expenses were approximately $0.8 million and $1.5 million for the nine months ended July 31, 2015 and 2014, respectively.

Corporate and Other

Corporate costs and expenses include selling, general and administrative costs and other costs not allocated to the operating segments. Corporate and other costs for the nine months ended July 31, 2015 were $0.3 million lower than the nine months ended July 31, 2014. Depreciation expense was similar period to period at approximately $0.1 million.

Seasonal Operations

Historically, our agribusiness operations have been seasonal in nature with quarterly revenue fluctuating depending on the timing and variety of crops being harvested. Cultural costs in our agribusiness tend to be higher in the first and second quarters and lower in the third and fourth quarters because of the timing of expensing cultural costs in the current year that were inventoried in the prior year. Our harvest costs generally increase in the second quarter and peak in the third quarter coinciding with the increasing production and revenue. Due to this seasonality and to avoid the inference that interim results are indicative of the estimated results for a full fiscal year, we present supplemental information for 12-month periods ended at the interim date for the current and preceding years.

Results of Operations for the Trailing Twelve Months ended July 31, 2015 and July 31, 2014

The following table shows the unaudited results of operations for the trailing twelve months ended:

	Trailing twelve months ended July 31,	
	2015	2014
Revenues:		
Agribusiness	$ 97,309,000	$ 96,357,000
Rental operations	4,926,000	4,578,000
Real estate development	166,000	512,000
Total revenues	102,401,000	101,447,000
Costs and expenses:		
Agribusiness	78,903,000	70,556,000
Rental operations	3,313,000	2,937,000
Real estate development	1,185,000	1,536,000
Impairment of real estate development assets	-	435,000
Selling, general and administrative	14,063,000	13,179,000
Total costs and expenses	97,464,000	88,643,000
Operating income	4,937,000	12,804,000
Other income (expense):		
Interest income (expense), net	(101,000)	79,000
Equity in earnings of investments	324,000	339,000
Other income, net	447,000	247,000
Total other income	670,000	665,000
Income before income taxes	5,607,000	13,469,000
Income tax provision	(2,014,000)	(4,727,000)
Net income	$ 3,593,000	$ 8,742,000

Twelve Months Ended July 31, 2015 Compared to the Twelve Months Ended July 31, 2014

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

- Total revenues increased $1.0 million in the twelve months ended July 31, 2015 compared to the twelve months ended July 31, 2014 primarily due to increased agribusiness revenues, particularly increased lemon sales.

- Total costs and expenses increased $8.9 million in the twelve months ended July 31, 2015 compared to the twelve months ended July 31, 2014 primarily due to increases in our agribusiness costs and selling, general and administrative expenses. The increase in agribusiness costs is associated with increased packing cost primarily associated with the acquisition of our Yuma, Arizona packinghouse and increased cost of fruit procured from third party growers. The increase in selling, general and administrative expenses is primarily attributable to additional salaries, benefits and incentive compensation and other selling, general and administrative expenses including certain consulting and legal expenses associated with our East Area 1 real estate development project and our strategic growth initiatives.

- Total other income in the twelve months ended July 31, 2015 was similar to the twelve months ended July 31, 2014 at $0.7 million.

- Income tax provision decreased $2.7 million in the twelve months ended July 31, 2015 compared to the twelve months ended July 31, 2014 primarily due to $7.9 million decrease in pretax income.

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Liquidity and Capital Resources

Overview

Our Company’s liquidity and capital position fluctuates during the year depending on seasonal production cycles, weather events, and demand for our products. Typically, our second and third quarters tend to generate greater operating income than our first and fourth quarters due to the volume of fruit harvested. To meet working capital demand and investment requirements of our agribusiness and real estate development segments and to supplement operating cash flows, we utilize our revolving credit facility to fund agricultural inputs and farm management practices until sufficient returns from crops allow us to repay amounts borrowed. Raw materials needed to propagate the various crops grown by us consist primarily of fertilizer, herbicides, insecticides, fuel and water and are readily available from local sources.

For the nine months ended July 31, 2015 and 2014, net cash provided by operating activities was $10.2 million and $17.8 million, respectively. The significant components of our Company’s cash flows provided by operating activities as included in the unaudited consolidated statements of cash flows are as follows:

- Net income for the nine months ended July 31, 2015 was $6.4 million compared to $9.8 million for the first nine months of fiscal year 2014. The decrease of $3.4 million in the nine months ended July 31, 2015 compared to the same period in fiscal year 2014 was primarily attributable to a decrease in operating income of $4.9 million and a decrease in income tax provision of $1.6 million.

- Depreciation and amortization increased $0.4 million in the nine months ended July 31, 2015 compared to the same period in fiscal year 2014 due to an increase in assets placed into service and the acquisition of our Yuma, Arizona packinghouse in June 2014.

- Loss on disposals of assets was $0.4 million in the nine months ended July 31, 2015 and 2014 and was primarily the result of expenses incurred from orchard disposals related to Associated’s Pilot Fallowing Program agreement with YMIDD.

- Stock compensation expense was $0.8 million and $0.9 million in the nine months ended July 31, 2015 and 2014, respectively, and is comprised primarily of vesting of 2012, 2013 and 2014 grants to management under our stock-based compensation plan plus non-employee directors’ stock-based compensation.

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Distributed earnings of investments were $0.3 million and $0.1 million during the nine months ended July 31, 2015 and 2014, respectively and were comprised primarily of equity earnings and cash distributions from our investment in Limco Del Mar, Ltd.

- Accounts receivable, net balance at July 31, 2015 was $7.6 million compared to $7.2 million at October 31, 2014, resulting in a corresponding decrease in operating cash flows of $0.4 million in the nine months ended July 31, 2015. Accounts receivable, net balance was $10.8 million at July 31, 2014 compared to $6.4 million at October 31, 2013, primarily resulting in a corresponding decrease in operating cash flows of $4.7 million. Our accounts receivable balance typically increases during the first three quarters of our fiscal year due to the seasonal nature of our agribusiness operations. The $0.4 million decrease in operating cash flows in the nine months ended July 31, 2015 compared to the $4.7 million decrease in operating cash flows during same period in fiscal year 2014 is primarily due to fluctuations in price and volume related to agribusiness revenues.

- Cultural costs provided $0.8 million in operating cash flows during the nine months ended July 31, 2015 compared to providing $1.4 million in operating cash flows during the same period in fiscal year 2014. This decrease was primarily due to an initial higher amount of capitalized cultural costs carried at the beginning of fiscal year 2014 resulting from the acquisitions of Associated and Lemons 400 and the related increase in amortization of such costs during the nine months ended July 31, 2014 compared to the same period in fiscal year 2015.

- Income taxes receivable provided $1.1 million of operating cash flows in the nine months ended July 31, 2015 and was primarily the result of a $1.2 million income tax refund received in June 2015.

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Accounts payable and growers payable used $2.1 million of cash from operating activities in the nine months ended July 31, 2015 compared to providing $3.2 million in the same period in fiscal year 2014. The $2.1 million of cash used in the nine months ended July 31, 2015 was primarily the result of $0.9 million decrease in accounts payable, $0.2 million increase in growers payable and $1.4 million of capital expenditures accrued but not paid at period end. The $3.2 million of cash provided in the nine months ended July 31, 2014 was primarily the result of $0.6 million increase in accounts payable and $3.9 million increase in growers payable, partially offset by $0.7 million of capital expenditures accrued but not paid at period end. The $0.2 million increase in growers payable in the nine months ended July 31, 2015 compared to the $3.9 million increase in growers payable during the same period in fiscal year 2014 is primarily due to fluctuations in price and volume and the timing of payments for lemons we procure and sell for third party growers.

Accrued liabilities used $0.6 million in operating cash flows in the nine months ended July 31, 2015 compared to providing $3.3 million of operating cash flows during the same period in fiscal year 2014. The operating cash used in the nine months ended July 31, 2015 is primarily comprised of payments for incentive compensation, property taxes, lease expense and lemon suppliers partially offset by accrued income taxes. The operating cash provided in the nine months ended July 31, 2014 is primarily the result of $5.0 million accrued income taxes partially offset by $1.9 million of income tax payments during the period.

Other long-term liabilities provided $0.3 million of operating cash flows in the nine months ended July 31, 2015 and represented $0.6 million of non-cash pension expense offset by $0.4 million of pension contributions for the period. The $0.1 million of operating cash flows provided during the nine months ended July 31, 2014 represented $0.5 million of non-cash pension expense offset by $0.4 million of pension contributions for the period.

Cash Flows from Investing Activities

For the nine months ended July 31, 2015, net cash used in investing activities was $24.0 million compared to net cash used in investing activities of $15.2 million during the same period in fiscal year 2014.

Net cash used in investing activities is primarily comprised of capital expenditures. Capital expenditures were $23.7 million in the nine months ended July 31, 2015, comprised of $18.5 million for property, plant and equipment primarily related to construction and equipment for our lemon packing facilities of $11.7 million and additional farm worker housing units of $6.2 million and $5.2 million for real estate development projects including $1.7 million for vineyard development at our Windfall Farms Project. Capital expenditures were $14.9 million in the nine months ended July 31, 2014, comprised of $11.0 million for property, plant and equipment primarily related to construction and equipment for our lemon packing facilities of $3.4 million, additional farm worker housing units of $3.6 million and orchard development of $1.9 million, $3.2 million for real estate development projects including $1.1 million for vineyard development at our Windfall Farms Project and $0.7 million for the acquisition of a lemon packing house.

Cash Flows from Financing Activities

For the nine months ended July 31, 2015, net cash provided by financing activities was $13.8 million compared to net cash used in financing activities of $3.0 million during the same period in fiscal year 2014.

The $13.8 million of cash provided by financing activities during the nine months ended July 31, 2015 is comprised primarily of net borrowings of long-term debt in the amount $16.4 million. The $3.0 million of cash used in financing activities during the nine months ended July 31, 2014 is comprised primarily of net payments of long term debt in the amount of $10.0 million and net proceeds from our issuance of preferred stock in the amount of $9.3 million. Additionally, we paid common and preferred dividends of $2.4 million in the nine months ended July 31, 2015 compared to $2.0 million during the same period in fiscal year 2014.

Transactions Affecting Liquidity and Capital Resources

We finance our working capital and other liquidity requirements primarily through cash from operations and our Rabobank, NA revolving credit facility (the “Rabobank Credit Facility”). In addition, we have term loans with Farm Credit West, FLCA (each a “Farm Credit West Term Loan” and, collectively, the “Farm Credit West Term Loans”) and a non-revolving line of credit with Farm Credit West, PCA (the “Farm Credit West Line of Credit”). Additional information regarding the Rabobank Credit Facility, the Farm Credit West Term Loans and the Farm Credit West Line of Credit can be found in the notes to the unaudited consolidated financial statements included elsewhere in this Form 10-Q.

We believe that the cash flows from operations and available borrowing capacity from our existing credit facilities will be sufficient to satisfy our capital expenditures, debt service, working capital needs and other contractual obligations for the remainder of fiscal year 2015. In addition, we have the ability to control a portion of our investing cash flows to the extent necessary based on our liquidity demands.

In December 2013, we entered into a construction contract that includes design and construction services for the expansion of our lemon packing facilities. The project is expected to increase the efficiency our packing facilities. To date we have capitalized approximately $20.3 million and during the nine months ended July 31, 2015, we capitalized approximately $11.7 million of costs in connection with construction services and equipment. The project is expected to cost approximately $23 million and be operational in 2015.

Rabobank Revolving Credit Facility

As of July 31, 2015, our outstanding borrowings under the Rabobank Credit Facility were $78.7 million and we had $15.1 million of availability. The Rabobank Credit Facility currently bears interest at a variable rate equal to the one month LIBOR plus 1.80%. The interest rate resets on the first of each month and was 1.99% at July 31, 2015. We have the ability to prepay any amounts outstanding under the Rabobank Credit Facility without penalty. The line of credit provides for maximum borrowings of $100.0 million and the borrowing capacity based on collateral value was $93.8 million at July 31, 2015.

Our Company has the option of fixing the interest rate under the Rabobank Credit Facility on any portion of outstanding borrowings using interest rate swaps. Effective July 2013, our Company fixed the interest rate at 4.30% utilizing an interest rate swap on $40.0 million of the Rabobank Credit Facility. Additional information regarding the interest rate swap can be found in the notes to the unaudited consolidated financial statements included elsewhere in this Form 10-Q.

The Rabobank Credit Facility is secured by certain of our Company’s agricultural properties and a portion of the equity interest in the San Cayetano Mutual Water Company, and subjects our Company to affirmative and restrictive covenants including, among other customary covenants, financial reporting requirements, requirements to maintain and repair any collateral, restrictions on the sale of assets, restrictions on the use of proceeds, prohibitions on the incurrence of additional debt and restrictions on the purchase or sale of major assets. We are also subject to a covenant that our Company will maintain a debt service coverage ratio, as defined in the Rabobank Credit Facility, of less than 1.25 to 1.0 measured annually at October 31, with which we were in compliance at October 31, 2014.

Farm Credit West Term Loans and Non-Revolving Credit Facility

As of July 31, 2015, we had an aggregate of approximately $6.1 million outstanding under the Farm Credit West Term Loans and Farm Credit West Line of Credit. The following provides further discussion on the term loans and non-revolving credit facility:

- *Term Loan Maturing November 2022.* As of July 31, 2015, we had $4.4 million outstanding under the Farm Credit West Term Loan that matures in November 2022. This term loan bears interest at a variable rate equal to an internally calculated rate based on Farm Credit West's internal monthly operations and their cost of funds and generally follows the changes in the 90-day treasury rates in increments divisible by 0.25% and is payable in quarterly installments through November 2022. The interest rate resets monthly and was 2.75% at July 31, 2015. This term loan is secured by certain of our agricultural properties.

- *Term Loan Maturing October 2035.* As of July 31, 2015, our wholly owned subsidiary, Windfall Investors, LLC, had $1.3 million outstanding under the Farm Credit West Term Loan that matures in October 2035. This term loan bears interest at a variable rate equal to an internally calculated rate based on Farm Credit West's internal monthly operations and their cost of funds and generally follows the changes in the 90-day treasury rates in increments divisible by 0.25% and is payable in monthly installments through November 2035. The interest rate resets monthly and was 2.75% at July 31, 2015. This term loan is secured by the Windfall Farms property.

- *Non-Revolving Line of Credit Maturing May 2018.* As of July 31, 2015, we had $0.5 million outstanding under the non-revolving line of credit that matures in May 2018. This line of credit bears interest at a variable rate equal to an internally calculated rate based on Farm Credit West's internal monthly operations and their cost of funds and generally follows the changes in the 90-day treasury rates in increments divisible by 0.25% with interest payable on a monthly basis. The interest rate resets monthly and was 2.75% at July 31, 2015. This line of credit is secured by certain of our agricultural properties.

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

Interest Rate Swap

We enter into interest rate swap agreements to manage the risks and costs associated with our financing activities. At July 31, 2015, we had an interest rate swap agreement which locks in the interest rate on $40.0 million of our $84.8 million in debt at 4.30% until June 2018. Additional information regarding the interest rate swap can be found in the notes to the unaudited consolidated financial statements included elsewhere in this Form 10-Q. The remaining $44.8 million of debt bears interest at variable rates, which were 2.75% or less at July 31, 2015.

Contractual Obligations

The following table presents our Company's contractual obligations at July 31, 2015 for which cash flows are fixed and determinable:

	Payments due by Period				
Contractual Obligations:	**Total**	**< 1 year**	**1-3 years**	**3-5 years**	**5+ years**
Fixed rate debt (principal)	$40,000,000	$-	$40,000,000	$-	$-
Variable rate debt (principal)	44,800,000	585,000	40,375,000	1,287,000	2,553,000
Operating lease obligations	9,872,000	1,752,000	3,408,000	1,906,000	2,806,000
Total contractual obligations	$94,672,000	$2,337,000	$83,783,000	$3,193,000	$5,359,000
Interest payments on fixed and variable rate debt	$8,669,000	$2,714,000	$5,390,000	$246,000	$319,000

We believe that the cash flows from our agribusiness and rental operations business segments as well as available borrowing capacity from our existing credit facilities will be sufficient to satisfy our future capital expenditure, debt service, working capital and other contractual obligations for the remainder of fiscal year 2015. In addition, we have the ability to control the timing of a portion of our investing cash flows to the extent necessary based on our liquidity demands.

Fixed Rate and Variable Rate Debt

Details of amounts included in long-term debt can be found above and in the notes to the unaudited consolidated financial statements included elsewhere in this Form 10-Q. The table above assumes that long-term debt is held to maturity.

Interest Payments on Fixed and Variable Debt

The above table assumes that our fixed rate and long-term debt is held to maturity and the interest rates on our variable rate debt remain unchanged for the remaining life of the debt from those in effect at July 31, 2015.

Preferred Stock Dividends

In 1997, in connection with the acquisition of Ronald Michaelis Ranches, Inc., our Company issued 30,000 shares of Series B Convertible Preferred Stock at $100 par value (the “Series B Stock”). The holders of the Series B Stock are entitled to receive cumulative cash dividends at an annual rate of 8.75% of par value. Such dividends are payable quarterly on the first day of January, April, July and October in each year commencing July 1, 1997 and total $0.3 million annually.

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

Defined Benefit Plan Contributions

We have a noncontributory, defined benefit, single employer pension plan (the “Plan”), which provides retirement benefits for all eligible employees of the Company. Effective June 2004, the Company froze the Plan and no additional benefits accrued to participants subsequent to that date. We may make discretionary contributions to the Plan and we may be required to make contributions to adhere to applicable regulatory funding provisions, based in part on the Plan’s asset valuations and underlying actuarial assumptions. We made funding contributions of $0.5 million, $1.3 million, and $1.3 million for fiscal years 2014, 2013, and 2012, respectively and we expect to contribute approximately $0.5 million to the Plan in fiscal year 2015.

Operating Lease Obligations

We have numerous operating lease commitments with remaining terms ranging from less than one year to ten years. We have installed a one mega-watt photovoltaic solar array on one of our agricultural properties located in Ventura County that produces a significant portion of the power to run our lemon packinghouse. The construction of this array was financed by Farm Credit Leasing and we have 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 we have an option to purchase the array for $1.1 million. We entered into a similar transaction with Farm Credit Leasing for a second photovoltaic array at one of our agricultural properties located in the San Joaquin Valley to supply a significant portion of the power to operate four deep water well pumps located our property. Annual lease payments for this facility range from $0.3 million to $0.8 million, and at the end of ten years we have the option to purchase the array for $1.3 million.

In January 2012, we entered into a series of operating leases for approximately 1,000 acres of lemon, orange, specialty citrus and other crop orchards in Lindsay, California. Each of the leases is for ten-year terms and provides for four five-year renewal options with an aggregate base rent of approximately $500,000 per year. The leases also contain profit share arrangements with the landowners as additional rent on each of the properties and a provision for the potential purchase of the properties by us in the future. We incurred approximately $0.8 million and $1.2 million of lease expense in the nine months ended July 31, 2015 and 2014, respectively, related to these leases. With the pending purchase of 914 acres described in “Recent Developments”, we expect lease expense to be approximately $0.2 million per year beginning in fiscal year 2016.

On July 1, 2013, we entered into a lease agreement with Cadiz, Inc. (“Cadiz”), to develop new lemon orchards on Cadiz’s agricultural property in eastern San Bernardino County, California (the “Cadiz Ranch”). Under the terms of the lease, we have the right to lease and plant up to 1,280 acres of lemons over the next five years at the Cadiz Ranch and have leased 320 acres initially, subject to a mutually agreed upon planting schedule. The lease agreement provides options to plant up to 960 additional acres (320 acres in Option 1 and 640 acres in Option 2) by 2018. The annual rental payment will include a base rent of $200 per planted acre and a lease payment equal to 20% of net cash flow from the harvested crops grown on the Cadiz property. Pursuant to the terms of the lease agreement, the annual rental payment will not exceed $1,200 per acre.

On February 3, 2015, we amended our lease agreement with Cadiz. The amendment, among other things; increased by 200 acres the amount of property leased by us under the lease agreement dated July 1, 2013. In connection with the amendment, we paid a total of $1.2 million to acquire existing lemon trees and irrigations systems from Cadiz and a Cadiz tenant. We incurred $41,000 and $15,000 of lease expense in the nine months ended July 31, 2015 and 2014, respectively.

We lease pollination equipment under a lease through 2022 with annual payments of $0.3 million. We also lease machinery and equipment for our lemon packing operations and other land for our agricultural operations under leases with annual lease commitments that are individually immaterial.

Real Estate Development Activities, Capital Expenditures and Related Capital Resources

In September 2015, we entered into a Contribution Agreement with an affiliate of Lewis Operating Corp. (“Lewis”), a Southern California land developer, that facilitates upon the completion of certain conditions, the formation of a joint venture for the purpose of developing the Company’s East Area 1 real estate development project (the “Joint Venture”). We were paid a $2.0 million deposit upon entering into the Contribution Agreement. Conditions necessary to close the transaction and form the Joint Venture include approval by the City of Santa Paula of an amendment to the East Area 1 tentative tract map, assignment of various development rights and obligations by us to the Joint Venture, completion of a legal parcel map and contribution of the East Area 1 property to the Joint Venture and the payment by Lewis of $18.0 million, comprising total consideration of $20.0 million for a 50% interest in the Joint Venture. The Contribution Agreement also includes an agricultural lease that allows us to continue farming the property during the phased build-out of the project. We expect to receive $100.0 million from the Joint Venture over the estimated 7 to 10 year life of the project. The Joint Venture partners will share equally in capital contributions to fund project costs until loan proceeds and or revenues are sufficient to fund the project. These funding requirements are currently estimated to total $10.0 to $15.0 million for each Joint Venture partner in the first two years of the project. In addition, upon closing the transaction, we are expected to incur a minimum Capital Placement fee to a consultant of approximately $0.5 million plus 2% of the initial land value received by us in excess of $100.0 million to be earned on the successful closing of the Joint Venture transaction.

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

Capital Expenditure

In December 2013 we entered into a construction contract that includes design and construction services for the expansion of our lemon packing facilities. The project is expected to increase the capacity and efficiency of our packing facilities. The contract is subject to a guaranteed maximum price of approximately $9.3 million which was revised to $11.6 million in March 2015 based on design modifications and finalization of construction costs. The project commenced in fiscal 2014 and is expected to be substantially complete in 2015.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Recent Accounting Pronouncements

Please see Note 2 to the unaudited consolidated financial statements for the period ended July 31, 2015 elsewhere in this Form 10-Q for information concerning our Company's Recently Adopted Accounting Pronouncements.

Critical Accounting Policies and Estimates

The preparation of our consolidated 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 **–** As a general policy, revenue and related costs 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. We record a sales allowance in the period revenue is recognized as a provision for estimated customer discounts and concessions.

Agribusiness revenue – Revenue from lemon sales is generally recognized FOB shipping point when the customer takes possession of the fruit from or packinghouse. Revenue from the sales of certain of our Company's agricultural products is recorded based on estimated proceeds provided by certain of our Company's sales and marketing partners (Calavo and other third-party packinghouses) due to the time between when the product is delivered by our Company and the closing of the pools for such fruits at the end of each month. Calavo and other third-party packinghouses are agricultural cooperatives or function in a similar manner as an agricultural cooperative. As such, our Company applies specific authoritative agriculture revenue recognition guidance related to transactions between patrons and agriculture marketing cooperatives to record revenue at time of delivery to the packinghouses relating to fruits that are in pools that have not yet closed at month end if (i) the related fruits have been delivered to and accepted by Calavo and other third-party packinghouses (i.e. title has transferred to Calavo and other third-party packinghouses) and (ii) sales price information has been provided by Calavo and other third-party packinghouses (based on the marketplace activity for the related fruit) to estimate with reasonable certainty the final selling price for the fruit upon the closing of the pools. Historically, the revenue that is recorded based on the sales price information provided to our Company by Calavo and other third-party packinghouses at the time of delivery have not materially differed from the actual amounts that are paid after the monthly pools are closed. We also earn commissions on certain brokered fruit sales, which totaled $115,000, $53,000 and $33,000 in fiscal years 2014, 2013 and 2012, respectively.

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

Our Company's arrangements with its third-party packinghouses are such that our Company is the producer and supplier of the product and the third-party packinghouses are our Company's customers. The revenues our Company recognizes related to the fruits sold to the third-party packinghouses are based on the volume and quality of the fruits delivered the market price for such fruit, less the packinghouses' charges to pack and market the fruit. Such packinghouse charges include the grading, sizing, packing, cooling, ripening and marketing of the related fruit. Our Company bears inventory risk until the product is delivered to the third-party packinghouses at which time title and inventory risk to the product is transferred to the third-party packinghouses and revenue is recognized. Such third-party packinghouse charges are recorded as a reduction of revenue based on the application of specific authoritative revenue recognition guidance related to a "Vendor's Income Statement Characterization of Consideration Given to a Customer". The identifiable benefit our Company receives from the third-party packinghouses for packaging and marketing services cannot be sufficiently separated from the third-party packinghouses' purchase of our Company's products. In addition, our Company is not able to reasonably estimate the fair value of the benefit received from the third-party packinghouses for such services and as such, these costs are characterized as a reduction of revenue in our Company's consolidated statement of operations.

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Explanation of Responses:

Revenue from crop insurance proceeds is recorded when the amount of, and the right to receive, the payment can be reasonably determined. We recorded agribusiness revenues from crop insurance proceeds of $184,000, $36,000 and $64,000 in fiscal years 2014, 2013 and 2012, respectively.

Rental revenue - Minimum rental revenues are generally recognized on a straight-line basis over the respective initial lease term. Contingent rental revenues are contractually defined as to the percentage of rent received by our Company and are based on fees collected by the lessee. Our Company’s rental arrangements generally require payment on a monthly or quarterly basis.

Real estate development revenue – Our Company recognizes revenue on real estate development projects in accordance with FASB ASC 360-20, *Real Estate Sales*, which provides for profit to be recognized in full when real estate is sold, provided that a sale has been consummated and profit is determinable, collection of sales proceeds is estimable with the seller’s receivable not subject to subordination, risks and rewards of ownership have been transferred to the buyer and the earnings process is substantially complete with no significant seller activities or obligations required after the date of sale. To the extent the above conditions are not met, a portion or all of the profit is deferred.

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

Real estate development costs – We capitalize the planning, entitlement, construction and development costs associated with our various real estate projects. Costs that are not capitalized, which include property maintenance and repairs, general and administrative and marketing expenses, are expensed as incurred. A real estate development project is considered substantially complete upon the cessation of construction and development activities. Once a project is substantially completed, future costs are expensed as incurred. For the nine months ended July 31, 2015, we capitalized approximately $6.8 million of costs related to our real estate development projects and expensed approximately $0.8 million of costs.

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

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

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 various factors, we recorded impairment charges of $0.4 million, $0.1 million and zero in fiscal years 2014, 2013 and 2012, respectively. These charges were based on independent appraisals and other factors and were developed using various facts, assumption and estimates. Future changes in these facts, assumptions and estimates could result in additional charges.

Defined benefit retirement plan – As discussed in the notes to our consolidated financial statements, we sponsor a defined benefit retirement plan that was frozen in June 2004, and no future benefits 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. During 2014, the Society of Actuaries released a new mortality table, referred to as RP-2014, which is believed to better reflect mortality improvements and is to be used in calculating defined benefit pension obligations. In addition, during fiscal year 2014, the assumed discount rate used to measure the pension obligation decreased from 4.4% to 4.0% as a result of changes in market interest rates. We used RP-2014 to measure our pension obligation as of October 31, 2014 and combined with the decrease in the assumed discount rate, our pension obligation increased by approximately $2.7 million as of October 31, 2014 with a corresponding decrease in other comprehensive income recognized net of tax. Further changes in any of these estimates could materially affect the amounts recorded that are related to our defined benefit retirement plan.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes in the disclosures discussed in the section entitled "Quantitative and Qualitative Disclosures about Market Risk" in Part II, Item 7A of our Annual Report on Form 10-K for the fiscal year ended October 31, 2014 as filed with the SEC on January 12, 2015.

Item 4. Controls and Procedures

Disclosure Controls and Procedures. As of July 31, 2015, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined in Rule 13a-15(e) promulgated under the Exchange Act. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report. There have been no significant changes in our internal controls over financial reporting during the period covered by this Quarterly Report on Form 10-Q or, to our knowledge, in other factors that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Limitations on the Effectiveness of Controls. Control systems, no matter how well conceived and operated, are designed to provide a reasonable, but not an absolute, level of assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our

Company have been detected. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

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PART II. OTHER INFORMATION

Item 1. 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 1A. Risk Factors

Risk factors and uncertainties associated with our business have not changed materially from those disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended October 31, 2014, as filed with the SEC on January 12, 2015.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds
None.

Item 3. Defaults Upon Senior Securities
None.

Item 4. Mine Safety Disclosures
Not applicable.

Item 5. Other Information
None.

Item 6. Exhibits

Exhibit Number	Exhibit
3.1	Restated Certificate of Incorporation of Limoneira Company, dated July 5, 1990 (Incorporated by reference to exhibit 3.1 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))
3.2	Certificate of Merger of Limoneira Company and The Samuel Edwards Associates into Limoneira Company, dated October 31, 1990 (Incorporated by reference to exhibit 3.2 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))
3.3	Certificate of Merger of McKevett Corporation into Limoneira Company dated December 31, 1994 (Incorporated by reference to exhibit 3.3 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))
3.4	Agreement of Merger Between Ronald Michaelis Ranches, Inc. and Limoneira Company, dated June 24, 1997 (Incorporated by reference to exhibit 3.6 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))
3.5	Certificate of Amendment of Certificate of Incorporation of Limoneira Company, dated April 22, 2003 (Incorporated by reference to exhibit 3.7 to the Company's Registration Statement of Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))
3.6	Certificate of Amendment of Certificate of Incorporation of Limoneira Company, dated March 24, 2010 (Incorporated by reference to exhibit 3.9 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))
3.7	Amended and Restated Bylaws of Limoneira Company (Incorporated by reference to exhibit 3.1 to the Company's Annual Report on Form 10-K, filed January 14, 2013 (File No. 001-34755))
3.7.1	Amendment to Amended and Restated Bylaws of Limoneira Company (Incorporated by reference to exhibit 3.1 to the Company's Current Report on Form 8-K, filed September 25, 2013 (File No. 001-34755))
3.7.2	Amendment to Amended and Restated Bylaws of Limoneira Company (Incorporated by reference to exhibit 3.1 to the Company's Current Report on Form 8-K, filed December 18, 2014 (File No. 001-34755))
4.1	Specimen Certificate representing shares of Common Stock, par value $0.01 per share (Incorporated by reference to exhibit 4.1 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))
4.2	Rights Agreement dated December 20, 2006 between Limoneira Company and The Bank of New York, as Rights Agent (Incorporated by reference to exhibit 4.2 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))
4.3	

	Certificate of Designation, Preferences and Rights of $8.75 Voting Preferred Stock, $100.00 Par Value, Series B of Limoneira Company, dated May 21, 1997 (Incorporated by reference to exhibit 3.4 to the Company's Registration Statement on Form 10, and amendments thereto, declare effective April 13, 2010 (File No. 000-53885))
4.4	Amended Certificate of Designation, Preferences and Rights of $8.75 Voting Preferred Stock, $100.00 Par Value, Series B of Limoneira Company, dated May 21, 1997 (Incorporated by reference to exhibit 3.4 to the Company's Registration Statement on Form 10, and amendments thereto, declare effective April 13, 2010 (File No. 000-53885))
4.5	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock, $.01 Par Value, of Limoneira Company, dated November 21, 2006 (Incorporated by reference to exhibit 3.8 to the Company's Registration Statement on Form 10, and amendments thereto, declared effective April 13, 2010 (File No. 000-53885))

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Exhibit Number	Exhibit
4.6	Certificate of Designation, Preferences and Rights of 4% Voting Preferred Stock, $100.00 Par Value, Series B-2 of Limoneira Company, dated March20, 2014 (Incorporated by reference to exhibit 3.1 to the Company's Current Report on Form 8-K filed on March 24, 2014 (File No. 001-34755))
31.1*	Certificate of the Principal Executive Officer Pursuant to Exchange Act Rule 13a-14(a) and 15d-14(a)
31.2*	Certificate of the Principal Financial and Accounting Officer Pursuant to Exchange Act Rule 13a-14(a) and 15d-14(a)
32.1*†	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*†	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

*Filed herewith

† In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release Nos. 33-8238 and 34-47986, Final Rule: Management's Reports on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports, the certifications furnished in Exhibit 32.1 and 32.2 hereto are deemed to accompany this Form 10-K and will not be deemed "filed" for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act.

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SIGNATURES

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

LIMONEIRA COMPANY

September 9, 2015 By: /s/ HAROLD S. EDWARDS
Harold S. Edwards
Director, President and Chief Executive Officer
(Principal Executive Officer)

September 9, 2015 By: /s/ JOSEPH D. RUMLEY
Joseph D. Rumley
Chief Financial Officer,

Treasurer and Corporate Secretary
(Principal Financial and Accounting Officer)

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