

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2014

or

TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from

to

Commission File Number: 0-261

Alico, Inc.

(Exact name of registrant as specified in its charter)

Florida
(State or other jurisdiction of
incorporation or organization)

59-0906081
(I.R.S. Employer
Identification No.)

10070 Daniels Interstate Court Suite 100 Fort Myers, FL
(Address of principal executive offices)

33913
(Zip Code)

Registrant's telephone number, including area code: 239-226-2000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of class:
COMMON CAPITAL STOCK, \$1.00 Par value,
Non-cumulative

Name of each exchange on which registered:
NASDAQ

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 or Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller Reporting Company

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

The aggregate market value of the voting and nonvoting common equity held by non-affiliates based on the closing price, as quoted on the NASDAQ as of March 31, 2014 (the last business day of Alico's most recently completed second fiscal quarter) was \$112,809,559.20. Solely for the purposes of this calculation, the registrant has elected to treat all executives, officers and greater than 10% shareholders as affiliates of the registrant. There were 7,366,738 shares of stock outstanding at December 5, 2014.

Documents Incorporated by Reference:

Portions of the Proxy Statement of Registrant to be dated on or before January 25, 2015, are incorporated by reference in Part III of this report.

ALICO, INC.
FORM 10-K
For the fiscal year ended September 30, 2014

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Cautionary Statement

This annual report on Form 10-K contains statements which, to the extent that they do not recite historical fact, constitute forward-looking statements. These statements can be identified by the fact that they do not relate strictly to historical or current facts and may include the words “may,” “will,” “could,” “should,” “would,” “believe,” “expect,” “anticipate,” “estimate,” “intend,” “plan” or other words or expressions of similar meaning. We have based these forward-looking statements on our current expectations about future events. The forward-looking statements include statements that reflect management’s beliefs, plans, objectives, goals, expectations, anticipations and intentions with respect to our financial condition, results of operations, future performance and business, including statements relating to our business strategy and our current and future development plans.

In addition, this annual report on Form 10-K contains industry data related to our business and the markets in which we operate. This data includes projections that are based on a number of assumptions. If these assumptions turn out to be incorrect, actual results could differ from the projections. We urge you to carefully review this annual report on Form 10-K, particularly the section “Risk Factors,” for a complete discussion of the risks of an investment in our common stock.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Many factors discussed in this annual report, some of which are beyond our control, will be important in determining our future performance. Consequently, actual results may differ materially from those that might be anticipated from forward-looking statements. In light of these and other uncertainties, you should not regard the inclusion of a forward-looking statement in this annual report as a representation by us that our plans and objectives will be achieved, and you should not place undue reliance on such forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

As used throughout this Annual Report on Form 10-K, the terms “Alico,” the “Company,” “we,” “our,” or “us” include Alico, Inc. and its consolidated subsidiaries unless the context indicates otherwise.

Part 1

Item 1. Business.

Alico, Inc. (“Alico”) was incorporated under the laws of the State of Florida on February 2, 1960. We are a Florida agribusiness and land management company built for today and backed by a legacy of achievement and innovation in citrus, cattle and resource conservation.

We own approximately 129,200 acres of land in seven Florida counties (Alachua, Collier, DeSoto, Glades, Hendry, Lee and Polk) and our principal lines of business are citrus groves, improved farmland, cattle ranching and conservation, and related support operations.

Our mission is to create value for our customers, clients and shareholders by managing existing lands to their optimal current income and total returns, opportunistically acquiring new agricultural assets and producing high quality agricultural products while exercising responsible environmental stewardship.

We manage our land based upon its primary usage and review its performance based upon three primary classifications – Citrus Groves, Improved Farmland and Ranch and Conservation. In addition, we operate an Agricultural Supply Chain Management business that is not tied directly to our land holdings and Other Operations that include a citrus nursery and leasing mines and oil extraction rights to third parties. We present our financial results and the related discussions based upon these five segments (Citrus Groves, Improved Farmland, Ranch and Conservation, Agricultural Supply Chain Management and Other Operations).

Highlights

Sugarcane Disposition

On May 19, 2014, we entered into a triple net agricultural lease (the “USSC Lease”) with our sole sugarcane customer, United States Sugar Corporation (“USSC”) of approximately 30,600 gross acres of land in Hendry County, Florida historically used for sugarcane farming. As a result of this lease we were no longer directly engaged in sugarcane farming as of May 19, 2014.

On November 21, 2014, we sold approximately 36,000 acres of sugarcane land to Global Ag Properties USA LLC (“Global”), including the land leased to USSC above, for approximately \$97,900,000 in cash and assigned the USSC Lease to the purchaser. As result of this disposition, we are no longer involved in sugarcane, and the Improved Farmland segment is no longer material to our business. The proceeds from the sale were reinvested on December 2, 2014 (see *Orange-Co Acquisition*) via a tax deferred like-kind exchange pursuant to Internal Revenue Code Section §1031.

Orange-Co Acquisition

On December 2, 2014, we completed the acquisition of certain citrus and related assets of Orange-Co, LP (“Orange-Co”) pursuant to an Asset Purchase Agreement (the “Orange-Co Purchase Agreement”), dated as of December 1, 2014. The assets we purchased include approximately 20,263 acres of citrus groves in DeSoto and Charlotte counties, Florida, which comprises one of the largest contiguous citrus grove properties in the state of Florida. The purchase price was approximately \$274,000,000 including: (1) \$147,500,000 in initial cash consideration, subject to adjustment as set forth in the Orange-Co Purchase Agreement; (2) up to \$7,500,000 in additional cash consideration to be released from escrow in equal parts, subject to certain limitations, on the 12- and 18-month anniversaries of the Closing Date; (3) the assumption and refinancing of Orange-Co’s outstanding debt including approximately \$91,200,000 in term debt and a working capital facility of approximately \$27,800,000; and (4) the assumption of certain other liabilities. On the Closing Date, the Company deposited an irrevocable standby letter of credit issued by Rabo Agrifinance, Inc. (“Rabo”) in the aggregate amount of \$7,500,000 into an escrow account to fund the additional cash consideration.

We concurrently entered into arrangements to finance the Orange-Co acquisition as follows:

Metlife Credit Agreement

We entered into a First Amended and Restated Credit Agreement with Metropolitan Life Insurance Company and New England Life Insurance Company under which they provided term loans in the aggregate principal amount of \$182,500,000 and \$25,000,000 in revolving credit commitments.

The Metlife Agreement amends and restates existing credit facilities, dated as of September 8, 2010 (as amended from time to time, the "Prior Credit Agreement") between the Company and Rabo. Under the Prior Credit Agreement, we had a term loan in the initial principal amount of \$40,000,000, of which \$33,500,000 was outstanding at the date of refinancing and \$60,000,000 in undrawn revolving credit commitments.

Rabo Credit Agreement

We entered into a Credit Agreement with Rabo under which they have provided a \$70,000,000 revolving working capital line of credit for the Company.

Silver Nip Merger Agreement

On December 2, 2014, we entered into an Agreement and Plan of Merger (the "Merger Agreement") with 734 Sub, LLC, a wholly owned subsidiary of the Company ("Merger Sub"), 734 Citrus Holdings, LLC ("Silver Nip Citrus") and, solely with respect to certain sections thereof, the equity holders of Silver Nip Citrus (see "Note 14. Related Party Transactions" in the Notes to Consolidated Financial Statements). The Merger Agreement provides that, upon the terms and subject to the conditions set forth therein, Merger Sub will merge with and into Silver Nip Citrus (the "Merger"), with Silver Nip Citrus surviving the Merger as a wholly owned subsidiary of the Company. Subject to the terms and conditions set forth in the Merger Agreement, the Company will issue shares of the Company's common stock to the equity holders of Silver Nip Citrus as follows:

- at the effective time of the Merger, up to 1,463,544 shares of Common Stock, subject to certain adjustments set forth in the Merger Agreement for Silver Nip Citrus's net indebtedness at the closing of the Merger, amounts related to certain groves specified in the Merger Agreement, certain Silver Nip Citrus transaction expenses and the trading price of the Common Stock; and
- thirty (30) days after the end of Silver Nip Citrus's 2014-2015 citrus harvest season, an additional amount of shares of Common Stock, with the number of shares issued to be based on the net proceeds received by the Company from the sale of citrus fruit harvested on certain Silver Nip Citrus groves after the closing of the Merger, subject to certain adjustments set forth in the Merger Agreement for the cost to harvest the citrus fruit and the trading price of the Common Stock.

Completion of the Merger is conditioned, among other things, on: (1) approval of the Stock Issuance by a majority of the holders of the Company's common stock voting at a special meeting or acting by written consent to approve the Stock Issuance and, if such approval is obtained through action by written consent, the expiration of a twenty (20)-day waiting period after the date an information statement of the Company prepared in accordance with Regulation 14C of the Exchange Act and such information statement, is delivered to the Company's shareholders; (2) receipt of a final appraisal of the Silver Nip Citrus groves; (3) receipt of certain third-party consents; (4) completion of an audit of Silver Nip Citrus's 2014 consolidated financials and receipt of an unqualified audit opinion; (5) material compliance by the other party with all of its obligations under the Merger Agreement; and (6) subject to certain exceptions, the accuracy of the representations and warranties of the other party subject to a material adverse effect standard (as defined in the Merger Agreement).

734 Investors, LLC ("734 Investors"), the Company's majority shareholder, will seek the consent of a majority of its disinterested members to direct 734 Investors to approve the Stock Issuance by a written consent of its shares of Common Stock.

Water Storage Contract Approval

In December 2012, the South Florida Water Management District ("SFWMD") issued a solicitation request for projects to be considered for the Northern Everglades Payment for Environmental Services Program. In March 2013, the Company submitted its response proposing a dispersed water management project on its ranch land.

On December 11, 2014, the SFWMD approved a contract, based on the submitted response, with the Company. The contract term is eleven years and allows up to one year for implementation (design, permitting, construction and construction completion certification) and ten years of operation whereby the Company will provide water retention services. Payment for these services includes an amount not to exceed \$4,000,000 of reimbursement for implementation. In addition it provides for an annual fixed payment of \$12,000,000 for operations and maintenance costs as long as the project is in compliance with the contract and subject to annual SFWMD Governing Board ("Board") approval of funding. The contract specifies that the Board has to approve the payments annually and there can be no assurance that it will approve the annual fixed payments.

Other Transactions

On July 1, 2014, we sold a 2,800 acre parcel of land in Polk County, Florida for \$5,623,000. This parcel was surplus to our operations and was classified as held for sale. This sale was part of a like-kind exchange transaction intended to qualify for tax-deferral treatment in accordance with Internal Revenue Code §1031.

On September 23, 2014, we purchased a 1,241 acre citrus grove (867 net tree acres) in DeSoto County, FL for a purchase price of approximately \$16,500,000. The purchase price was funded from our cash and cash equivalents and \$5,300,000 in funds from a 2014 like-kind exchange transaction in Polk County pursuant to Internal Revenue Code §1031.

The Land We Manage

We regularly review our land holdings to determine the best use of each parcel based upon our management expertise. Our total return profile is a combination of operating income potential and long-term appreciation. Land holdings not meeting our total return criteria are considered surplus to our operations and will be sold or exchanged for land considered to be more compatible with our business objectives and total return profile.

Our holdings and the operating activities in which we engage are categorized in the following table:

	<u>Gross Acreage</u>	<u>Operating Activities</u>
Citrus Groves		
Citrus Groves	18,400	Citrus Cultivation
Available for Sale	<u>300</u>	Citrus Cultivation and Undeveloped Land
	<u>18,700</u>	
Improved Farmland		
Leasable	1,800	Leasing
Permitted but Undeveloped	6,300	None
Available for Sale	<u>36,000</u>	Sugarcane Farming and Leasing
	<u>44,100</u>	
Ranch and Conservation	64,500	Cattle Grazing; Sod and Native Plant Sales; Leasing; Conservation
Other Land	<u>1,900</u>	Mining; Citrus Nursery
Total	<u>129,200</u>	

Citrus Groves

We own and manage Citrus Groves in Collier, DeSoto, Hendry and Polk Counties and engage in the cultivation of citrus trees to produce citrus for delivery to the fresh and processed citrus markets. Citrus Groves total approximately 18,700 gross acres or 14.5% of our land holdings.

Our Citrus acreage is detailed in the following table:

	<u>Net Plantable</u>			<u>Total Plantable</u>	<u>Support</u>	<u>Available for Sale</u>	<u>Gross</u>
	<u>Producing</u>	<u>Developing</u>	<u>Fallow</u>				
Hendry County	3,500	100	-	3,600	1,600	-	5,200
Polk County	3,100	100	-	3,200	1,800	300	5,300
Collier County	4,100	-	-	4,100	2,800	-	6,900
DeSoto County	900	-	-	900	400	-	1,300
Total	<u>11,600</u>	<u>200</u>	<u>-</u>	<u>11,800</u>	<u>6,600</u>	<u>300</u>	<u>18,700</u>

Of the approximately 18,700 gross acres of citrus groves we own and manage, approximately 6,600 acres are classified as support acreage. Support acreage includes acres used for roads, barns, water detention, water retention and drainage ditches integral to the cultivation of citrus trees but which are not capable of directly producing fruit. We have classified approximately 300 acres in Polk County as Available for Sale, as this land does not meet our return criteria and is being actively marketed. The approximately 11,800 remaining acres are classified as net plantable acres. Net plantable acres are those that are capable of directly producing fruit. These include acres that are currently producing, acres that are developing (acres that are planted in trees too young to commercially produce fruit) and acres that are fallow.

Our Citrus Groves segment cultivates citrus trees to produce citrus for delivery to the processed and fresh citrus markets. Our sales to the processed market constitute approximately 95% of our citrus sales annually. We produce Early and Mid-Season varieties, primarily Hamlin oranges, as well as a Valencia variety for the processed market. We deliver our fruit to the processors in boxes which contain 90 pounds of oranges. Because the processors convert the majority of the citrus crop into orange juice, they generally do not buy their citrus on a per box basis but rather on a pound solids basis, which is the measure of the soluble solids (sugars and acids) contained in one box of fruit. We have produced 21,048,000, 24,746,000, and 29,069,000 pound solids for each of the years ended September 30, 2014, 2013, and 2012, on boxes delivered to processing plants of 3,259,000, 3,867,000, and 4,357,000, respectively.

The average pound solids per box was 6.46, 6.40, and 6.68 for each of the years ended September 30, 2014, 2013, and 2012, respectively.

We generally use multi-year contracts with citrus processors that include pricing structures based on a minimum (“floor”) price with a price increase (“rise”) based on market conditions. Therefore, if pricing in the market is favorable relative to our floored price, we benefit from the incremental difference between the floor and the final market price.

All citrus to be produced for the processed citrus market in fiscal year 2014-2015 is under minimum price contracts with a floor price of approximately \$1.60 per pound solids. We believe that other markets are available for our citrus products; however, new arrangements may be less favorable than our current contracts.

Our sales to the fresh market constitute approximately 5% of our citrus sales annually. We produce numerous varieties to the fresh fruit market including grapefruit, navel and other fresh varieties. Generally, our fresh fruit is sold to packing houses by the box, and the packing houses are responsible for the harvest and haul of these boxes. We have produced 185,000, 251,000, and 278,000 boxes for each of the years ended September 30, 2014, 2013, and 2012, respectively. The majority of our citrus to be produced for the fresh citrus market in fiscal year 2014-2015 is under fixed price contracts.

Revenue from Citrus Groves operations was approximately 53.1%, 43.0%, and 43.6% of our total operating revenues for the fiscal years ended September 30, 2014, 2013, and 2012, respectively.

Improved Farmland

We own Improved Farmland in Hendry County and have historically engaged in farming the land and leasing some of the acreage for farming. Of our land holdings, Improved Farmland totals approximately 44,100 gross acres or 34.1% of our total acreage. Our Improved Farmland acreage is detailed in the following table:

	<u>Gross Acres</u>
Leaseable	1,800
Permitted but Undeveloped	6,300
Available for Sale	<u>36,000</u>
Total improved farmland	<u><u>44,100</u></u>

On May 19, 2014, the Company entered into a triple net agricultural lease with its sole sugarcane customer, United States Sugar Corporation (the “Tenant”) of approximately 30,600 gross acres of land in Hendry County, Florida historically used for sugarcane farming. This land includes 19,181 acres planted or plantable to sugar (“Net Cane Acres”). As a result of the Lease, the Company was no longer directly engaged in sugarcane farming.

The term of the Lease is ten (10) years which may be extended by either party for three (3) additional one (1) year periods, except with respect to a specific portion of the leased premises (4,561 planted or plantable acres) which has a five (5) year term which may be extended by either party for an additional year but can be terminated by the Company at any time after one (1) year. The Lease includes various covenants, indemnities, defaults, termination rights and other provisions customary for lease transactions of this nature. The leased land, together with other adjacent land, has subsequently been classified as Available for Sale (see *Available for Sale and Subsequent Disposition* below).

Our Improved Farmland also includes approximately, 1,800 gross acres of irrigated farmland currently used for farm leasing and other purposes and approximately 6,300 gross acres of permitted but undeveloped land (acres that are permitted for farming but that have not yet been cleared, leveled and irrigated for commercial farming).

During fiscal years ended September 30, 2014, 2013, and 2012, revenue from improved farmland operations was 23.0%, 21.6%, and 12.0%, of our total operating revenue, respectively.

Available for Sale and Subsequent Disposition

On August 8, 2014, we entered into a Purchase and Sale Agreement, (the "Purchase Agreement") with Terra Land Company ("Terra") to sell approximately 30,959 gross acres of land located in Hendry County, Florida used for sugarcane production for a base purchase price of \$91,436,000. The base purchase price was subject to a valuation adjustment in the event that either the net farmable acres or net support acres of the land were more or less than the amounts in the Purchase Agreement by one percent (1%) or greater.

On November 21, 2014, via various amendments to the Purchase Agreement, we completed the sale to Global of approximately 36,000 gross acres of land located in Henry County, Florida used for sugarcane production for a purchase price of \$97,900,000. Global is a wholly-owned subsidiary of Terra. We have also assigned our interest in the USSC Lease to Global in conjunction with the sale. The parties have made customary representations, warranties, covenants and agreements in the Purchase Agreement.

As a result of the disposition of our sugarcane land, we are no longer involved in sugarcane and, as of November 21, 2014 the Improved Farmland segment was no longer material to our business.

Ranch and Conservation

We own and manage Ranch and Conservation land in Collier, Hendry and Polk Counties and engage in Cattle Production, Sod and Native Plant Sales, Land Leasing for recreational and grazing purposes and conservation activities. Of our land holdings, Ranch and Conservation totals approximately 64,500 gross acres or 49.9% of our total acreage. Our Ranch and Conservation acreage is detailed in the following table:

	<u>Acreage</u>
Hendry County	60,500
Collier County	4,000
Total	<u>64,500</u>

We frequently lease the same acreage for more than one purpose. The portion of our Ranch and Conservation acreage that is leased for each purpose is detailed in the table below:

	<u>Grazing</u>	<u>Recreational</u>
Hendry County	1,900	46,000
Collier County	4,000	3,500

Our Cattle operation is engaged in the production of beef cattle and is located in Hendry and Collier Counties. The breeding herd consisted of approximately 8,600 cows and bulls and we plan to increase the size of our herd in the near future to the extent practicable. We primarily sell our calves to feed yards and yearling grazing operations in the United States. We also sell cattle through local livestock auction markets and to contract cattle buyers in the United States. These buyers provide ready markets for our cattle. We believe that the loss of any one or a few of these buyers would not have a material effect on our Cattle operations. Revenue from ranch and conservation operations was approximately 9.2%, 6.6%, and 5.8% of total operating revenue for each of the years ended September 30, 2014, 2013, and 2012, respectively.

In the fourth quarter of fiscal year 2013 we granted an easement to the United States Department of Agriculture (“USDA”), through its administering agency, The Natural Resources Conservation Service, on approximately 11,600 acres of our Ranch and Conservation land located in Hendry County resulting in a gain of \$20,300,000, which was recorded in Other Income on the Statement of Comprehensive Income.

Our Other Segments

In addition to owning and managing approximately 129,200 gross acres of land in Central and Southwest Florida, Alico also engages in complimentary lines of business. Our Agricultural Supply Chain Management line of business includes activities related to value-added services provided to Alico and other Florida growers including agricultural contracting for harvesting, hauling and marketing and the purchase and resale of fruit. Our Other Operations line of business includes activities related to rock and sand mining, oil exploration, a citrus nursery and other insignificant lines of business. A summary of the Agricultural Supply Chain Management and Other Operations line of business follows:

- Alico Fruit Company is a wholly owned subsidiary providing additional citrus marketing expertise and the ability to manage the delivery of our own citrus crop. Its operations include supply chain management (contracting for harvest, hauling and marketing) for Alico’s citrus crop and for other growers. The operation also includes the purchase and resale of citrus fruit. During the fiscal years ended September 30, 2014, 2013, and 2012, Alico Fruit Company’s revenue was 14.0%, 27.9% and 38.0% of our total operating revenue, respectively.
- In fiscal year 2013, we acquired approximately 400 acres of land in Alachua County on which we constructed a citrus tree nursery and will utilize the trees produced in our own operations and sell excess trees to citrus growers in the state of Florida.

Segment Financial Results

We create value for our customers, clients and investors by managing our land holdings to their highest and best returns and by producing the highest quality agricultural products, implementing innovative land management and responsible environmental stewardship in the communities where we operate.

The following table presents the operating revenues and gross profit of the segments:

	Fiscal Year Ended September 30,		
	2014	2013	2012
<i>(in thousands)</i>			
Revenues:			
Citrus Groves	\$ 47,069	\$ 43,689	\$ 55,423
Agricultural Supply Chain Management	12,376	28,412	48,334
Improved Farmland	20,429	21,917	15,316
Ranch and Conservation	8,172	6,755	7,348
Other Operations	634	888	766
Intersegment Revenues	9,621	10,981	11,820
Eliminations	(9,621)	(10,981)	(11,820)
Total revenue	88,680	101,661	127,187
Operating expenses:			
Citrus Groves	30,213	31,533	30,995
Agricultural Supply Chain Management	12,317	27,949	47,693
Improved Farmland	21,356	16,202	11,574
Ranch and Conservation	4,330	3,798	3,497
Other Operations	374	505	1,196
Total operating expenses	68,590	79,987	94,955
Gross profit:			
Citrus Groves	16,856	12,156	24,428
Agricultural Supply Chain Management	59	463	641
Improved Farmland	(927)	5,715	3,742
Ranch and Conservation	3,842	2,957	3,851
Other Operations	260	383	(430)
Total gross profit	\$ 20,090	\$ 21,674	\$ 32,232

Supplemental Information

Information regarding the revenues, earnings and total assets of each of our operating segments can be found in Item 8. Financial Statements and Supplementary Data, Note 16. Segment Information in Notes to our Consolidated Financial Statements included in this Annual Report. Substantially all of our revenues are generated from domestic customers. All of our assets are located in the United States.

Strategy

Our core business strategy is to maximize shareholder value through continuously improving the return on our invested capital, either by holding and managing our existing land through skilled agricultural production, leasing, or other opportunistic means of monetization, disposing of under productive land or business units, and/or acquiring new land or operations with appreciation potential.

Our objectives are to produce the highest quality agricultural products, create innovative land uses, opportunistically acquire and convert undervalued assets, sell-under productive land not meeting our total return profile, generate recurring and sustainable profit with the appropriate balance of risk and reward, and exceed the expectations of shareholders, customers, clients and partners.

Our strategy is based on best management practices of our agricultural operations, environmental and conservation stewardship of our land and natural resources. We manage our land in a sustainable manner and evaluate the effect of changing land uses while considering new opportunities. Our commitment to environmental stewardship is fundamental to Alico's core beliefs.

We position our three categories of land based upon their suitability for a particular purpose and their potential to generate value:

- We position our Citrus Groves to efficiently utilize capital to consistently generate high-quality commercially viable citrus fruit for the processed or fresh markets while managing the weather and disease related risks inherent in the citrus business.
- We position our Improved Farmlands to generate returns on permitted and farmable acreage. Based upon our interpretation of industry information and the potential for returns, we lease our improved farmlands to third parties.
- We position our Ranch and Conservation lands to opportunistically generate returns based largely upon the size of the parcels and their location relative to the important wetlands of southern Florida. We raise cattle for sale on our Ranch and Conservation lands and lease our lands for grazing and recreational purposes to maintain our agricultural property tax classifications as well as to generate minimal returns on the lands while we investigate and execute on opportunities to monetize these lands through conservation programs.
- We position our Agricultural Supply Chain Management business to manage the harvesting and hauling of the fruit produced by our Citrus Groves segment as well as to provide for returns on its minimal invested capital by purchasing, selling, harvesting and hauling citrus fruit for other producers in the state of Florida. The services provided by, and the relationships and industry information generated through operating our Agricultural Supply Chain Management, segment are complimentary to the operation and strategic positioning of our Citrus Groves Segment.
- Where appropriate, we engage in other operations. These operations include leasing mineral and oil rights to third parties where resource supplies are sufficient and other uses of our land holdings do not currently provide for returns greater than those provided by these leases.

Competition

Alico is engaged in a variety of agricultural and nonagricultural activities, all of which are in highly competitive markets. Citrus is grown domestically in several states including Florida, California, Arizona and Texas, as well as foreign countries, most notably Brazil. Competition is impacted by several factors including quality, production, demand, brand recognition, market prices, weather, disease, export/import restrictions and currency exchange rates. Beef cattle are produced throughout the United States and domestic beef sales also compete with imported beef. Forest and rock products are produced in many parts of the United States.

Environmental Regulations

Our operations are subject to various federal, state and local laws regulating the discharge of materials into the environment. Management believes we are in compliance with all such rules including permitting and reporting requirements. Compliance has not had a material effect upon our financial position, results of operations or cash flows.

Management monitors environmental legislation and requirements and makes every effort to remain in compliance with such regulations. In addition, we require lessees of our property to comply with environmental regulations as a condition of leasing.

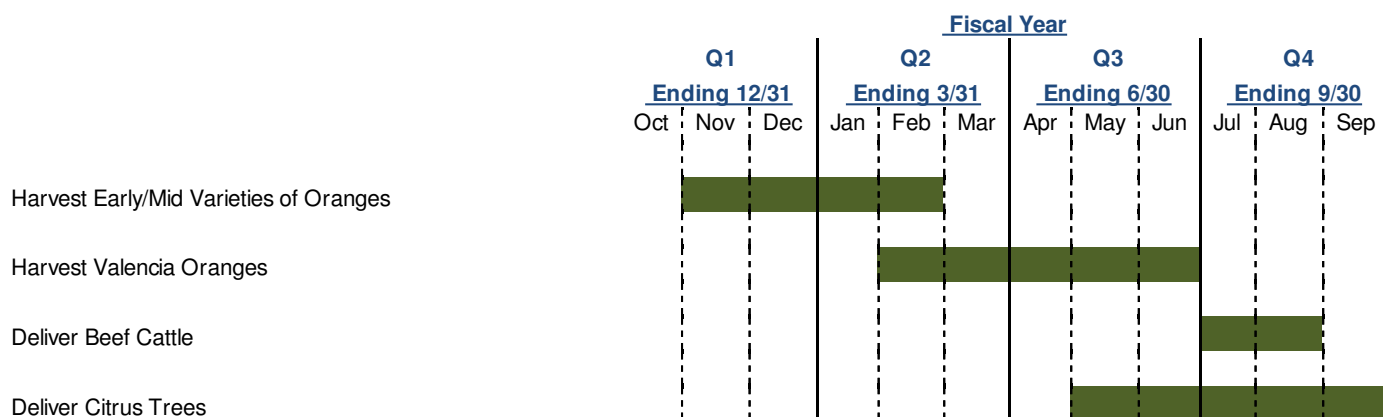
Employees

As of September 30, 2014, we had 128 full-time employees. Our employees work in the following divisions:

Agricultural Supply Chain Management	19
Citrus Groves	69
Improved Farmland	2
Ranch and Conservation	3
Heavy Equipment	9
Other Operations	11
General and Administrative	15
Total	128

Seasonal Nature of Business

Revenues from Alico's agri-business operations are seasonal in nature. The following table illustrates the seasonality of our agri-business revenues:



Capital resources and raw materials

Management believes that Alico will be able to meet its working capital requirements for at least the next 12 months through internally generated funds and our existing credit line. Alico has credit commitments that provide for revolving credit that is available for our general use. Raw materials needed to cultivate the various crops grown by Alico consist primarily of fertilizers, herbicides and fuel and are readily available from local suppliers.

Available Information

Our most recent Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports may be viewed or downloaded electronically, free of charge, from our website <http://www.alicoinc.com> as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission ("SEC"). In addition, you may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. To obtain information on the operation of the Public Reference room, you may call the SEC at 1-800-SEC-0330. Our recent press releases are also available to be viewed or downloaded electronically at <http://www.alicoinc.com>.

We will also provide electronic copies of our SEC filings free of charge upon request. Any information posted on or linked from our website is not incorporated by reference into this Annual Report on Form 10-K. The SEC also maintains a website at <http://sec.gov>, which contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

Item 1A. Risk Factors.

Our business and results of operations are subject to numerous risks and uncertainties, many of which are beyond our control. The following is a description of the known factors that we believe may materially affect our business, financial condition or results of operations. They should be considered carefully, in addition to the information set forth elsewhere in this Annual Report on Form 10-K, including Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Item 8, Financial Statements and Supplementary Data, including the related Notes to Consolidated Financial Statements in making any investment decisions with respect to our securities. Additional risks or uncertainties that are not currently known to us that we currently deem to be immaterial or that could apply to any company could also materially adversely affect our business, financial condition or results of operations.

Risks related to our Business

Our citrus groves are subject to damage and loss from disease including but not limited to citrus greening and citrus canker which could negatively impact our business, financial condition, results of operations and cash flows.

Our citrus groves are subject to damage and loss from diseases such as citrus greening and citrus canker. Each of these diseases is widespread in Florida and exists in our groves and in the areas where our groves are located. The success of our citrus business is directly related to the viability and health of our citrus groves.

Citrus greening is one of the most serious citrus plant diseases in the world. Once a tree is infected, it decreases the productivity of infected trees. While the disease poses no threat to humans or animals, it has devastated citrus crops throughout the United States and abroad. Named for its green, misshapen fruit, citrus greening disease has now killed millions of citrus plants in the southeastern United States and has spread across the entire country. Infected trees produce fruits that are green, misshapen and bitter, unsuitable for sale as fresh fruit or for juice. Infected trees can die within a few years. At the present time, there is no known cure for citrus greening once trees are infected. Primarily as a result of citrus greening, Florida is expected to have its smallest orange harvest in nearly 30 years.

Citrus canker is a disease affecting citrus species and is caused by a bacterium and is spread by contact with infected trees or by windblown transmission. There is no known cure for citrus canker at the present time although some management practices including the use of copper-based bactericides can mitigate its spread and lessen its effect on infected trees; however, there is no assurance that available technologies to control such disease will be effective.

Both of these diseases pose a significant threat to the Florida Citrus industry and to our citrus groves. While we use best management practices to attempt to control diseases and their spread, there can be no assurance that our mitigation efforts will be successful. These diseases can significantly increase our costs which could materially adversely affect our business, financial condition, results of operations and cash flows. Our citrus groves produce the majority of our annual revenue and a significant reduction in available citrus from our groves could decrease our revenues and materially adversely affect our business, financial condition, results of operations and cash flows.

Our agricultural products are subject to supply and demand pricing which is not predictable.

Agricultural operations traditionally provide almost all of our operating revenues with citrus being the largest portion and are subject to supply and demand pricing. While according to Nielsen data consumer demand for orange juice has decreased significantly to its lowest level in almost a decade, we have been able to offset the impact of such decline with higher prices based on a lower supply of available oranges. However, there can be no assurance that we will be able to continue to do so if demand continues to decline. Although our processed citrus is subject to minimum pricing we are unable to predict with certainty the final price we will receive for our products. In some instances the harvest and growth cycle will dictate when such products must be marketed which may or may not be advantageous in obtaining the best price. Excessive supplies tend to cause severe price competition and lower prices for the commodity affected.

Limited supply of certain agricultural commodities due to world and domestic market conditions can cause commodity prices to rise in certain situations. We attempt to mitigate these risks by using contracts with citrus processors that include pricing structures based on a minimum (“floor”) price and with a price increase (“rise”) if market prices exceed the floor price. As a result, our profitability may be subject to significant variability.

Our citrus groves are geographically concentrated and the effects of adverse weather conditions could adversely affect our results of operations and financial position.

Our citrus operations are concentrated in central and south Florida with our groves located in parcels in Hendry, Collier, Polk, Charlotte and DeSoto Counties. Because our groves are located in close proximity to each other, the impact of adverse weather conditions may be material to our results of operations. Florida is particularly susceptible to the occurrence of hurricanes. Depending on where any particular hurricane makes landfall, our properties could experience significant, if not catastrophic damage. Hurricanes have the potential to destroy crops, affect cattle breeding and impact citrus production through the loss of fruit and destruction of trees and/or plants either as a result of high winds or through the spread of windblown disease. Such damage could materially affect our citrus and cattle operations and could result in a loss of revenue from those products for a multi-year period. We seek to minimize hurricane risk by the purchase of insurance contracts, but the majority of our crops remain uninsured. In addition to hurricanes, the occurrence of other natural disasters and climate conditions in Florida, such as tornadoes, floods, freezes, unusually heavy or prolonged rain, droughts and heat waves, could have a material adverse effect on our operations and our ability to realize income from our crops or cattle.

A significant and increasing portion of our revenues are derived from our citrus business and any adverse event affecting such business could disproportionately harm our business.

Our revenues from our citrus business were approximately 53%, 43% and 43%, of our revenues in fiscal years 2014, 2013 and 2012, respectively. As a result of our recently announced acquisitions of three Florida citrus producers and the disposition of our sugarcane lands, the percentage of our revenues derived from our citrus business will increase significantly. These acquisitions will result in our citrus division being the largest citrus producer in the United States and since we will not be as diversified as we have been previously, we will be more vulnerable to adverse events or market conditions affecting our citrus business which could have a significant impact on our overall business results.

We maintain a significant amount of indebtedness which could adversely affect our financial condition, results of operations, limit our operational and financing flexibility and negatively impact our business.

We recently obtained \$182,500,000 in aggregate principal amount of term loans and \$25,000,000 in revolving credit commitments from Metropolitan Life Insurance Company and New England Life Insurance Company as well as \$70,000,000 in aggregate principal amount of revolving credit commitments from Rabobank which we used in part to finance our recent Orange-Co acquisition. Our new loan agreements, and other debt instruments we may enter into in the future, may have negative consequences to us and could limit our business because we will use a substantial portion of our cash flows from operations to pay interest which will reduce the funds available to us for operations and it may make us more vulnerable to economic downturns and adverse developments in our business. Our loan agreements require us to comply with various restrictive covenants and some contain financial covenants that require us to comply with specified financial ratios and tests. Our failure to meet these covenants could result in default under these loan agreements and would result in a cross-default under other loan agreements. In the event of a default and our inability to obtain a waiver of the default, all amounts outstanding under loan agreements could be declared immediately due and payable. Our new loan agreements also contain various covenants that limit our ability to engage in specified types of transactions. We expect that we will depend primarily upon our citrus operations to provide funds to pay our expenses and to pay any amounts that may become due under any credit facilities and any other indebtedness we may incur and there are factors beyond our control that could negatively affect our citrus business revenue stream. Our ability to make these payments depends on our future performance, which will be affected by various financial, business, economic and other factors, many of which we cannot control.

Our agricultural operations are subject to water use regulations restricting our access to water.

Our operations are dependent upon the availability of adequate surface and underground water. The availability of water is regulated by the State of Florida through water management districts which have jurisdiction over various geographic regions in which our lands are located. Currently, we have permits in place for the next 15 to 20 years for the use of underground and surface water which are adequate for our agricultural needs.

Surface water in Hendry County, where much of our agricultural land is located, comes from Lake Okeechobee via the Caloosahatchee River and a system of canals used to irrigate such land. The Army Corps of Engineers controls the level of Lake Okeechobee and ultimately determines the availability of surface water even though the use of water has been permitted by the State of Florida through the water management district.

The Army Corps of Engineers decided in 2010 to lower the permissible level of Lake Okeechobee in response to concerns about the ability of the levee surrounding the lake to restrain rising waters which could result from hurricanes. Changes in availability of surface water use may result during times of drought, because of lower lake levels and could materially adversely affect our agricultural operations, financial position, results of operations and cash flows.

Our recent acquisitions of three Florida citrus producers and the acquisition of additional agricultural assets and other businesses could pose risks.

We seek to opportunistically acquire new agricultural assets from time to time that we believe would complement our business. We recently announced our acquisitions of three Florida citrus producers that are expected to result in our citrus division being the largest citrus producer in the United States. We cannot assure you that we will be able to successfully identify suitable acquisition opportunities, negotiate appropriate acquisition terms, obtain any financing that may be needed to consummate such acquisitions, or complete proposed acquisitions. Acquisitions by us could result in accounting charges, potentially dilutive issuances of equity securities, increased debt and contingent liabilities, reduce the amount of cash available for dividends and diversion of management's attention, any of which could adversely affect our business, results of operations and financial condition. We may be unable to successfully realize the financial, operational, and other benefits we anticipate from our acquisitions and our failure to do so could adversely affect our business, results of operation and financial condition.

Dispositions of our assets may adversely affect our future results of operations.

We also routinely evaluate the benefits of disposing of certain of our assets and we recently sold significant sugar cane assets and we are no longer involved in the sugarcane business. While such dispositions increase the amount of cash available to us, it could also result in a potential loss of significant revenues and income streams that we might not be able to replace, makes our business less diversified and could ultimately have a negative impact on our results of operations.

If a transaction intended to qualify as a Section §1031 Exchange is later determined to be taxable, we may face adverse consequences, and if the laws applicable to such transactions are amended or repealed, we may not be able to dispose of properties on a tax deferred basis.

From time to time we dispose of properties in transactions that are intended to qualify as Section §1031 Exchanges. It is possible that the qualification of a transaction as a Section §1031 Exchange could be successfully challenged and determined to be currently taxable and we could also be required to pay interest and penalties. As a result, we may be required to borrow funds in order to pay additional taxes, and the payment of such taxes could cause us to have less cash available. Moreover, it is possible that legislation could be enacted that could modify or repeal the laws with respect to Section §1031 Exchanges, which could make it more difficult or not possible for us to dispose of properties on a tax deferred basis.

We may undertake one or more significant corporate transactions that may not achieve their intended results, may adversely affect our financial condition and our results of operations or result in unforeseeable risks to our business.

We continuously evaluate the acquisition or disposition of operating businesses and assets and may in the future undertake one or more significant transactions. Any such acquisitive transaction could be material to our business and could take any number of forms, including mergers, joint ventures and the purchase of equity interests. The consideration for such acquisitive transactions may include, among other things, cash, common stock or equity interests in us or our subsidiaries, or a contribution of equipment to obtain equity interests, and in conjunction with a transaction we might incur additional indebtedness. We also routinely evaluate the benefits of disposing of certain of our assets. Such dispositions could take the form of asset sales, mergers or sales of equity interests.

These transactions may present significant risks such as insufficient revenues to offset liabilities assumed, potential loss of significant revenues and income streams, increased or unexpected expenses, inadequate return of capital, regulatory or compliance issues, the triggering of certain covenants in our debt instruments (including accelerated repayment) and unidentified issues not discovered in due diligence. In addition, such transactions could distract management from current operations. As a result of the risks inherent in such transactions, we cannot guarantee that any such transaction will ultimately result in the realization of its anticipated benefits or that it will not have a material adverse impact on our business, financial condition or results of operations.

If we were to complete such an acquisition, disposition, investment or other strategic transaction, we may require additional debt or equity financing that could result in a significant increase in our amount of debt and our debt service obligations or the number of outstanding shares of our common stock, thereby diluting holders of our common stock outstanding prior to such acquisition.

We are subject to the risk of product contamination and product liability claims.

The sale of agricultural products for human consumption involves the risk of injury to consumers. Such injuries may result from tampering by unauthorized third parties, product contamination or spoilage, including the presence of foreign objects, substances, chemicals, other agents, or residues introduced during the growing, storage, handling or transportation phases. While we are subject to governmental inspection and regulations and believe our facilities comply in all material respects with all applicable laws and regulations, we cannot be sure that our agricultural products will not cause a health-related illness in the future or that we will not be subject to claims or lawsuits relating to such matters. Even if a product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertion that our products caused illness or injury could adversely affect our reputation with existing and potential customers and our corporate and brand image. Moreover, claims or liabilities of this sort might not be covered by our insurance or by any rights of indemnity or contribution that we may have against others. We maintain product liability insurance, however, we cannot be sure that we will not incur claims or liabilities for which we are not insured or that exceed the amount of our insurance coverage.

Changes in immigration laws could impact our ability to harvest our crops.

We engage third parties to provide personnel for our harvesting operations. The availability and number of such workers is subject to decrease if there are changes in the U.S. immigration laws. The scarcity of available personnel to harvest our agricultural products could cause harvesting costs to increase or could lead to the loss of product that is not timely harvested which could have a material adverse effect to our citrus grove operations, financial position, results of operations and cash flows.

Changes in demand for our agricultural products can affect demand and pricing of such products.

The general public's demand for particular food crops we grow and sell could reduce prices for some of our products. To the extent that consumer preferences evolve away from products we produce and we are unable to modify our products or develop products that satisfy new customer preferences, there could be a decrease in prices for our products. Even if market prices are unfavorable, produce items which are ready to be or have been harvested must be brought to market. Additionally, we have significant investments in our citrus groves and cannot easily shift to alternative crops for this land. A decrease in the selling price received for our products due to the factors described above could have a material adverse effect on us.

Our citrus grove business is seasonal.

Our citrus groves produce the majority of our annual revenue and the citrus grove business is seasonal because it is tied to the growing and picking seasons. Historically, the second and third quarters of our fiscal year generally produce the majority of our annual revenue, and our working capital requirements are typically greater in the first and fourth quarters of our fiscal year coinciding with our planting cycles. Because of the seasonality of our business, results for any quarter are not necessarily indicative of the results that may be achieved for the full fiscal year or in future quarters. If our revenues in the second and third quarters are lower than expected, it would have a disproportionately large adverse impact on our annual operating results.

We face significant competition in our agricultural operations.

We face significant competition in our agricultural operations both from domestic and foreign producers and do not have any branded products. Foreign growers generally have an equal or lower cost of production, less environmental regulation and in some instances, greater resources and market flexibility than us. Because foreign growers have greater flexibility as to when they enter the U.S. market, we cannot always predict the impact these competitors will have on our business and results of operations.

The competition we face from foreign suppliers of orange juice is mitigated by a governmentally imposed tariff on orange imports. A change in the government's reduction in the orange juice tariff could adversely impact our results of operations.

Climate change, or legal, regulatory, or market measures to address climate change, may negatively affect our business and operations.

There is growing concern that carbon dioxide and other greenhouse gases in the atmosphere may have an adverse impact on global temperatures, weather patterns, and the frequency and severity of extreme weather and natural disasters. In the event that such climate change has a negative effect on the productivity of our citrus groves, it could have an adverse impact on our business and results of operations. The increasing concern over climate change also may result in more regional, federal, and/or global legal and regulatory requirements to reduce or mitigate the effects of greenhouse gases. In the event that such regulation is enacted, we may experience significant increases in our costs of operation. In particular, increasing regulation of fuel emissions could substantially increase the distribution and supply chain costs associated with our products. As a result, climate change could negatively affect our business and operations.

We benefit from reduced real estate taxes due to the agricultural classification of a majority of our land. Changes in the classification or valuation methods employed by county property appraisers could cause significant changes in our real estate tax liabilities.

In each of the fiscal years ended September 30, 2014, 2013, and 2012, we paid \$2,291,000, \$2,196,000, and \$2,275,000 in real estate taxes, respectively. These taxes were based upon the agricultural use ("Green Belt") values determined by the county property appraiser in which counties we own land, of \$74,105,000, \$69,687,000, and \$82,975,000 for each of the years ended September 30, 2014, 2013, and 2012, respectively, which differs significantly from the fair values determined by the county property appraisers of \$518,112,000, \$516,919,000, and \$529,542,000, respectively. Changes in state law or county policy regarding the granting of agricultural classification or calculation of Green Belt values or average millage rates could significantly impact our results of operations, cash flow and financial position.

We manage our properties in an attempt to capture their highest and best use and customarily do not sell property until it no longer meets our total return profile.

The goal for our land management program is to manage and selectively improve our lands for their most profitable use. We continually evaluate our properties focusing on location, soil capabilities, subsurface composition, topography, transportation, and availability of markets for our crops, the climatic characteristics of each of the tracts, long-term capital appreciation and operating income potential. While we are primarily engaged in agricultural activities, when land does not meet our total return profile, we may determine that the property is surplus to our activities and place the property for sale or exchange.

Liability for the use of pesticides, herbicides and other potentially hazardous substances could increase our costs.

Our agricultural business involves the use of herbicides, fertilizers and pesticides, some of which may be considered hazardous or toxic substances. We may be deemed liable and have to pay for the costs or damages associated with the improper application, accidental release or the use or misuse of such substances. Our insurance may not be adequate to cover such costs or damages, or may not continue to be available at a price or under terms that are satisfactory to us. In such cases, if we are required to pay significant costs or damages, it could materially adversely affect our business, results of operations and financial condition.

Compliance with applicable environmental laws may substantially increase our costs of doing business which could reduce our profits.

We are subject to various laws and regulations relating to the operation of our properties, which are administered by numerous federal, state and local governmental agencies. We face a potential for environmental liability by virtue of our ownership of real property. If hazardous substances (including herbicides and pesticides used by us or by any persons leasing our lands) are discovered emanating from any of our lands and the release of such substances presents a threat of harm to the public health or the environment, we may be held strictly liable for the cost of remediation of these hazardous substances. In addition, environmental laws that apply to a given site can vary greatly according to the site's location, its present and former uses, and other factors such as the presence of wetlands or endangered species on the site. Management monitors environmental legislation and requirements and makes every effort to remain in compliance with such regulations. Furthermore, we require lessees of our properties to comply with environmental regulations as a condition of leasing. We also purchase insurance for environmental liability when it is available; however, these insurance contracts may not be adequate to cover such costs or damages or may not continue to be available at prices and terms that would be satisfactory. It is possible that in some cases the cost of compliance with these environmental laws could exceed the value of a particular tract of land, make it unsuitable for use in what would otherwise be its highest and best use, and/or be significant enough that it would materially adversely affect us.

Our business may be adversely affected if we lose key employees.

We depend to a large extent on the services of certain key management personnel. These individuals have extensive experience and expertise in our business lines and segments in which they work. The loss of any of these individuals could have a material adverse effect on our operations. We do not maintain key-man life insurance with respect to any of our employees. Our success will be dependent on our ability to continue to employ and retain skilled personnel in our business lines and segments.

Risks Related to our Common Stock

Our largest shareholder has effective control over the election of our Board of Directors and other matters.

734 Investors, LLC ("734 Investors"), beneficially owns approximately 51% of our common stock. Accordingly, by virtue of its ownership percentage, 734 Investors is able to elect all of our directors and officers, and has the ability to exert significant influence over our business and may make decisions with which other shareholders may disagree, including, among other things, changes in our business plan, delaying, discouraging or preventing a change of control of our Company or a potential merger, consolidation, tender offer, takeover or other business combination. Additionally, potential conflicts of interest could exist when we enter into related party transactions with 734 Investors such as the recent Silver Nip merger agreement we entered into on December 1, 2014.

We are a "Controlled Company" under the NASDAQ Listing Rules and therefore are exempt from certain corporate governance requirements, which could reduce the influence of independent directors.

We are a "Controlled Company" under NASDAQ listing rules, because more than 50% of the voting power of our outstanding stock is controlled by 734 Investors. As a consequence, we are exempt from certain NASDAQ requirements including the requirement that:

- Our Board of Directors be composed of a majority of independent directors;
- The compensation of our officers be determined by a majority of the independent directors or a compensation committee composed solely of independent directors; and
- Nominations to the Board of Directors be made by a majority of the independent directors or a nominations committee composed solely of independent directors.

However, NASDAQ does require that our independent directors have regularly scheduled meetings at which only independent directors are present. In addition, Internal Revenue Code Section 162(m) requires that a compensation committee of outside directors (within the meaning of Section 162(m)) approve stock option grants to executive officers in order for us to be able to claim deductions for the compensation expense attributable to such stock options.

Notwithstanding the foregoing exemptions, we do have a majority of independent directors on our Board of Directors and we do have an Audit Committee, a Compensation Committee and a Nominating and Governance Committee composed entirely of independent directors.

Although we currently comply with certain of the NASDAQ listing rules that do not apply to controlled companies, our compliance is voluntary, and there can be no assurance that we will continue to comply with these standards in the future. If in the future our Board of Directors elects to rely on the exemptions permitted by the NASDAQ listing standards and reduce the number or proportion of independent directors on our Board and its committees, the influence of independent directors would be reduced.

Sales of substantial amounts of our common stock by our largest shareholder could adversely affect the market price of our common stock.

Our largest shareholder 734 Investors beneficially owns approximately 51% of our common stock. Our stock is not heavily traded and our stock prices can fluctuate significantly. As such, sales of substantial amounts of our common stock into the public market by 734 Investors or perceptions that significant sales could occur, could adversely affect the market price of our common stock.

Our stock has low trading volume.

Although our stock trades on the NASDAQ Global Market, it is thinly traded and our average daily trading volume is low compared to the number of shares of common stock we had outstanding. The low trading volume of our stock can cause our stock price to fluctuate significantly as well as make it difficult for you to sell your shares quickly. As a result of our stock being thinly traded and/or our low stock price, institutional investors might not be interested in owning our stock.

We may not be able to continue to pay or maintain dividends and the failure to do so may negatively affect our share price.

We have historically paid regular quarterly dividends to the holders of our common stock which dividends were reduced beginning in the third fiscal quarter of 2014 in order to retain cash which increases our flexibility to reinvest in our business and pursue growth opportunities consistent with our mission. Our ability to pay dividends depends on, among other things, our cash flows, our cash requirements, our financial condition, the degree to which we are/or become leveraged, contractual restrictions binding on us, provisions of applicable law and other factors that our board of directors may deem relevant. There can be no assurance that we will generate sufficient cash from continuing operations in the future, or have sufficient surplus or net profits to pay dividends on our common stock. Our dividend policy is based upon our directors' current assessment of our business and the environment in which we operate and that assessment could change based on business developments (which could, for example, increase our need for capital expenditures) or new growth opportunities. Our board of directors may, in its discretion, decrease the level of dividends or entirely discontinue the payment of dividends. The reduction or elimination of dividends may negatively affect the market price of our common stock.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

At September 30, 2014, Alico owned approximately 129,200 acres of land located in seven counties in Florida. Acreage in each county and the primary classification with respect to the present use of these properties is shown in the following table:

	<u>Total</u>	<u>Hendry</u>	<u>Polk</u>	<u>Collier</u>	<u>DeSoto</u>	<u>Glades</u>	<u>Lee</u>	<u>Alachua</u>
Citrus Groves								
Citrus Groves	18,400	5,200	5,000	6,900	1,300	-	-	-
Available for Sale	300	-	300	-	-	-	-	-
Total Citrus Groves	<u>18,700</u>	<u>5,200</u>	<u>5,300</u>	<u>6,900</u>	<u>1,300</u>	<u>-</u>	<u>-</u>	<u>-</u>
Improved Farmland:								
Irrigated	1,800	1,800	-	-	-	-	-	-
Permitted but undeveloped	6,300	6,300	-	-	-	-	-	-
Available for Sale	36,000	36,000	-	-	-	-	-	-
Total Improved Farmland	<u>44,100</u>	<u>44,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ranch Land and Conservation	64,500	60,500	-	4,000	-	-	-	-
Commercial	400	-	-	-	-	-	-	400
Mining	1,400	900	-	-	-	500	-	-
Other	100	100	-	-	-	-	-	-
Total	<u>129,200</u>	<u>110,800</u>	<u>5,300</u>	<u>10,900</u>	<u>1,300</u>	<u>500</u>	<u>-</u>	<u>400</u>

Approximately 43,277 acres of the properties listed are encumbered by credit agreements totaling \$94,000,000 at September 30, 2014. For a more detailed description of the agreements and collateral please see "Item 8. Financial Statements", "Note 11. Long-Term Debt" in Notes to Consolidated Financial Statements.

We currently collect mining royalties on a 526 acre parcel of land located in Glades County, Florida. These royalties do not represent a significant portion of our revenue or operating profits. We are seeking permits to develop an additional mine on an 886 acre parcel in Hendry County to be used as sand mine. Approximately 1,382 acres in Collier County are suitable for a rock mine. We are not currently pursuing permits for the Collier County mine given the low level of demand in the current market. The Hendry County parcel is currently classified as ranch land, while the Collier County parcel is classified as citrus.

Item 3. Legal Proceedings.

From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of business. There are no current legal proceedings to which we are a party to or of which any of our property is subject to that we believe will have a material adverse effect on our business financial position or results of operations.

Item 4. Mine Safety Disclosure.

None.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Common Stock Prices

Our common stock is traded on the NASDAQ Stock Market, LLC ("NASDAQ") under the symbol ALCO. The high and low sales prices in each quarter in the fiscal years 2014 and 2013 are presented below:

	2014 Price		2013 Price	
	High	Low	High	Low
Quarter Ended:				
December 31	\$ 39.15	\$ 38.10	\$ 38.78	\$ 30.27
March 31	\$ 38.48	\$ 37.61	\$ 47.00	\$ 36.93
June 30	\$ 37.68	\$ 37.15	\$ 46.48	\$ 39.61
September 30	\$ 38.30	\$ 37.94	\$ 47.60	\$ 39.19

Holdings

On October 31, 2014, our stock transfer records indicate there were approximately 288 holders of record of our common stock. The number of registered holders includes banks and brokers who act as nominee, each of whom may represent more than one shareholder.

Dividends

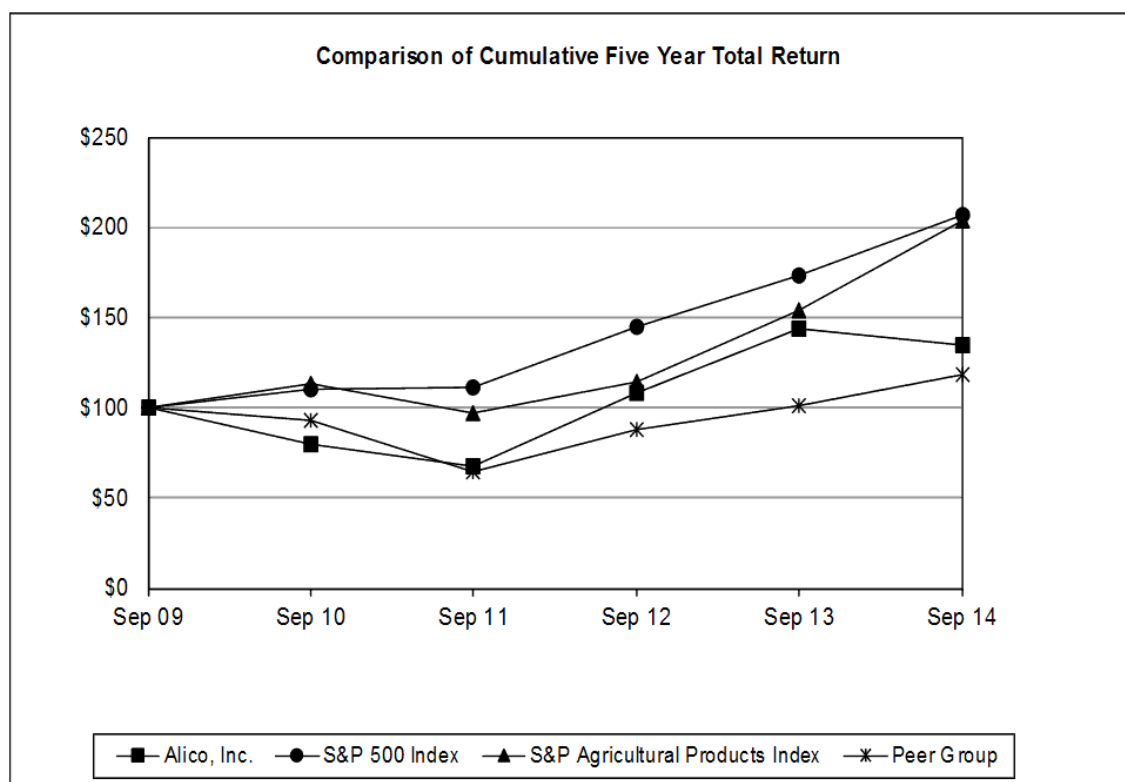
The following table presents cash dividends per common share declared in fiscal years 2014, 2013, and 2012 and paid in fiscal years 2015, 2014, and 2013:

<u>Declaration Date</u>	<u>Record Date</u>	<u>Payment Date</u>	<u>Amount Paid Per Share</u>
July 27, 2012	September 28, 2012	October 15, 2012	\$ 0.04
September 27, 2012	December 28, 2012	January 14, 2013	\$ 0.08
January 8, 2013	March 28, 2013	April 15, 2013	\$ 0.08
May 2, 2013	June 28, 2013	July 15, 2013	\$ 0.08
July 18, 2013	September 30, 2013	October 15, 2013	\$ 0.08
September 25, 2013	December 31, 2013	January 14, 2014	\$ 0.12
December 18, 2013	March 31, 2014	April 14, 2014	\$ 0.12
April 10, 2014	June 30, 2014	July 14, 2014	\$ 0.06
July 10, 2014	September 30, 2014	October 15, 2014	\$ 0.06
October 02, 2014	December 31, 2014	January 15, 2015	\$ 0.06

The Board of Directors reinstated a quarterly dividend policy during fiscal year 2012.

Stock Performance Graph

The graph below represents our common stock performance, comparing the value of \$100 invested on September 30, 2009 in our common stock, the S&P 500 and a Company-constructed peer group, which included Forestar Group, Inc., Limoneira Company, The St. Joe Company, Tejon Ranch Co. and Texas Pacific Land Trust.



(Includes reinvestment of dividends)

Company Name / Index	Base Period Sep 09	INDEXED RETURNS Years Ending				
		Sep 10	Sep 11	Sep 12	Sep 13	Sep 14
Alico, Inc.	100	79.45	67.40	108.43	144.07	134.59
S&P 500 Index	100	110.16	111.42	145.08	173.14	207.30
S&P Agricultural Products Index	100	113.77	96.58	114.82	153.79	203.80
Peer Group	100	92.84	64.88	87.73	100.82	118.65

Equity Compensation Arrangements

The 2008 Incentive Equity Plan was effective from November 2008 through March 2013. It provided for the issuance of up to 350,000 shares of the Company's stock to Directors and Officers. The 2008 Incentive Equity Plan was superseded by the 2013 Incentive Equity Plan in April 2013. It provides for the issuance of up to 350,000 shares of the Company's stock to Directors and Officers through March 2018. All shares issued or to be issued under either of the two equity incentive plans must be shares previously repurchased by the Company.

The following table illustrates the shares remaining available for future issuance under the 2013 Incentive Equity Plan:

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity plans
Plan Category:			
Equity compensation plans approved by security holders	-	-	311,053
Total	-	-	311,053

Issuer Repurchases of Equity Securities

The Board of Directors previously authorized the repurchase of up to 350,000 shares of our common stock from shareholders beginning in November 2008 and ending in November 2013 (the “2008 Authorization”). In September 2013, the Board of Directors authorized the repurchase of 105,000 shares of stock from shareholders beginning in November 2013 and continuing through April 2018 (the “2013 Authorization”). Stock repurchases under these authorizations will be made on a quarterly basis until April 2018, through open market transactions, at times and in such amounts as the Company’s broker determines, or through other transactions subject to the provisions of SEC Rule 10b-18.

Through September 30, 2014, the Company had purchased 29,305 shares and had available to purchase an additional 75,695 in accordance with the 2013 Authorization. The following table describes our purchases of our common stock during the fourth quarter of 2014.

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Shares Purchased As Part of Publicly Announced Plan or Program	Maximum Number of Shares that May Yet Be Purchased Under the Plan or Program
Date:				
Month of July 2014	-	\$ -	-	75,695
Month of August 2014	-	\$ -	-	75,695
Month of September 2014	-	\$ -	-	75,695

We do not anticipate that any purchases under the Board of Directors’ authorizations will be made from any officer, director or control person.

We had various arrangements with UBS Investment Bank (“UBS”) between September 27, 2012 and November 1, 2013 to purchase securities under an authorization in accordance with the timing, price and volume restrictions contained in sections (b)(2)-(4) of Rule 10b-18. During the period from September 27 through November 1, 2013, UBS agreed to purchase securities according to various authorizations. The limit prices ranged from less than or equal to \$31.00 per share to less than or equal to \$40.00 per share at various times. The Company purchased 35,333 shares under this arrangement.

We purchased 35,333, 29,305, zero, and zero shares in the open market during the first, second, third and fourth quarters of fiscal year 2014, respectively, at a weighted average price of \$38.47 per share.

Item 6. Selected Financial Data.

(in thousands, except per share amounts)

	September 30,				
	2014	2013	2012	2011	2010
Operating revenue	\$ 88,680	\$ 101,661	\$ 127,187	\$ 98,592	\$ 79,792
Net income (loss) from continuing operations	\$ 8,050	\$ 19,646	\$ 18,489	\$ 7,097	\$ (623)
Income (loss) from continuing operations per weighted average common share	\$ 1.09	\$ 2.67	\$ 2.51	\$ 0.96	\$ (0.08)
Weighted average number of shares outstanding	7,354	7,357	7,355	7,363	7,374
Cash dividends declared per share	\$ 0.24	\$ 0.36	\$ 0.20	\$ 0.12	\$ 0.10
Total assets	\$ 203,567	\$ 198,840	\$ 185,083	\$ 180,035	\$ 188,817
Long-term obligations	\$ 34,000	\$ 36,000	\$ 39,900	\$ 57,158	\$ 75,668

Notes regarding selected financial data:

During the year ended September 30, 2011, we utilized cash to reduce our outstanding debt by \$18,510,000 resulting in a reduction in total assets and long-term obligations.

During the year ended September 30, 2012, we utilized cash from operations and investing activities to reduce our outstanding debt by approximately \$17,258,000, resulting in a reduction in long-term obligations. Net income from continuing operations includes a gain on sale of real estate totaling \$9,113,000 on land sold and impairment charges of \$1,918,000 on assets held for sale on the consolidated balance sheet as of September 30, 2012.

During the year ended September 30, 2013, net income from continuing operations includes the gain on the sale of real estate totaling \$20,300,000 on easements sold.

During the year ended September 30, 2014, net income from continuing operations includes the gain on the sale of real estate totaling \$4,820,000 on land sold.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Cautionary Statement Regarding Forward-Looking Information

We make forward-looking statements in this Annual Report, particularly in this Management's Discussion and Analysis, pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Any statements in this Annual Report that are not historical facts are forward-looking statements. Forward-looking statements include, but are not limited to, statements that express our intentions, beliefs, expectations, strategies, predictions or any other statements relating to our future activities or other future events or conditions. The words "anticipates," "believes," "estimates," "expects," "intends," "may," "plans," "projects," "will," "would," and similar expression are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These statements are based on our current expectations, estimates and projections about our business based, in part, on assumptions made by our management. These assumptions are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in the forward-looking statements due to numerous factors, including those Risks Factors included in Part I, Item 1A and elsewhere in this Annual Report.

Overview

We manage our land based upon its primary usage and review its performance based upon three primary classifications – Citrus Groves, Improved Farmland and Ranch and Conservation. In addition, we operate an Agricultural Supply Chain Management business that is not tied directly to our land holdings and Other Operations that include a citrus nursery, leasing mines and oil extraction rights to third parties. We present our financial results and the related discussions based upon these five segments (Citrus Groves, Improved Farmland, Ranch and Conservation, Agricultural Supply Chain Management and Other Operations). In the fourth quarter of fiscal year 2013, we changed our internal operations to align with the way we manage our business operations. As a result, we have realigned our financial reporting segments to match our internal operations. We have reclassified prior years to conform to the fiscal year 2013 presentation. None of these changes affect our previously reported consolidated results. The primary change in previously reported segment results is to reclassify the former Land Leasing and Rentals segment's revenues and expenses to the related land classifications.

We own approximately 129,200 acres of land in seven Florida counties (Alachua, Collier, DeSoto, Glades, Hendry, Lee and Polk), and operate five segments.

Segments

We operate five segments related to our various land holdings.

- Citrus Groves include activities related to planting, owning, cultivating and/or managing citrus groves in order to produce fruit for sale to fresh and processed citrus markets.
- Agricultural Supply Chain Management and Support includes activities related to the purchase and resale of fruit, as well as, to value-added services which include contracting for the harvesting, marketing and hauling of citrus.
- Improved Farmland includes activities related to owning and/or leasing improved farmland. Improved farmland is acreage that has been converted, or is permitted to be converted, from native pasture and which may have various improvements including irrigation, drainage and roads.
- Ranch and Conservation includes activities related to cattle grazing, sod, native plant and animal sales, leasing, management and/or conservation of unimproved native pasture land.

- Other Operations include activities related to a citrus nursery, rock mining royalties, oil exploration and other insignificant lines of business.

Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. Management evaluates the estimates and assumptions on an on-going basis, based upon historical experience and various other factors and circumstances. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results may vary from these estimates and assumptions under different future circumstances. The following critical accounting policies have been identified that affect the more significant judgments and estimates used in the preparation of the consolidated financial statements.

Revenue Recognition - Revenue from agricultural crops is recognized at the time the crop is harvested and delivered to the customer. Alico recognizes revenue from cattle sales at the time the cattle are delivered. Management reviews the reasonableness of the revenue accruals quarterly based on buyers’ and processors’ advances to growers, cash and futures markets and experience in the industry. Adjustments are made throughout the year to these estimates as more current relevant information regarding the specific markets become available. Differences between the estimates and the final realization of revenue can be significant and can be either positive or negative. During the periods presented in this report on Form 10-K, no material adjustments were made to the reported revenues from Alico’s crops.

Alico Fruit’s operations primarily consist of providing supply chain management services to Alico, as well as to other citrus growers in the State of Florida. Alico Fruit also purchases and resells citrus fruit; in these transactions, Alico Fruit (i) acts as a principal; (ii) takes title to the products; and (iii) has the risks and rewards of ownership, including the risk of loss for collection, delivery or returns. Therefore, Alico Fruit recognizes revenue based on the gross amounts due from customers for its marketing activities. Supply chain management service revenues are recognized when the services are performed.

Variable Interest and Equity Method Investments - We evaluate investments for which we do not hold an equity interest of at least 50% based on the amount of control we exercise over the operations of the investee, our exposure to losses in excess of our investment, our ability to significantly influence the investee and whether we are the primary beneficiary of the investee. In May 2010, we invested \$12,150,000 to obtain a 39% equity interest in Magnolia TC 2, LLC (“Magnolia”), a Florida limited liability company whose primary business activity is acquiring tax certificates issued by various counties in the State of Florida on properties which have been declared delinquent. Based on the criteria above, we are accounting for our investment in Magnolia in accordance with the equity method, whereby the investment in Magnolia is recorded as the line item, Investment in Magnolia, on our consolidated balance sheets, and changes in the account resulting from Magnolia’s prorated earnings or losses up to our initial investment are recognized as income or loss to us.

Inventory - We capitalize the cost of growing crops into inventory until the time of harvest. Once a given crop is harvested, the related inventoried costs are recognized as a cost of sale to provide an appropriate matching of costs incurred with the related revenue recognized. We record inventory at the lower of cost or net realizable value. Management regularly assesses estimated inventory valuations based on current and forecasted usage of the related commodity, observable prices, estimated completion costs and other relevant factors that may affect the net realizable value.

Property, Buildings and Equipment - Property, buildings and equipment are stated at cost, net of accumulated depreciation or amortization. Major improvements are capitalized while maintenance and repairs are expensed in the period the cost is incurred. Costs related to the development of citrus groves, through planting of trees, are capitalized. Such costs include land clearing, excavation and construction of ditches, dikes, roads, and reservoirs among other costs. After the planting, caretaking costs or pre-productive maintenance costs are capitalized for four years.

After four years, a grove is considered to have reached maturity and the accumulated costs are depreciated over 25 years, except for land clearing and excavation, which are considered costs of land and not depreciated.

The breeding herd consists of purchased animals and replacement breeding animals raised on our ranch. Purchased animals are stated at the cost of acquisition. The cost of animals raised on the ranch is based on the accumulated cost of developing such animals for productive use. Breeding animals are depreciated over 6-7 years.

Impairment of Long-Lived Assets - We evaluate property, buildings, cattle, equipment and other long-lived assets for impairment when events or changes in circumstances (triggering events) indicate that the carrying value of assets contained in our financial statements may not be recoverable. Depending on the asset under review, we use varying methods to determine fair value, such as discounting expected future cash flows, determining resale values by market or applying a capitalization rate to net operating income using prevailing rates for a given market. Unfavorable changes in economic conditions and net operating income for a specific property will change our estimates. If an impairment loss is recognized, the adjusted carrying amount of the asset becomes its cost basis. For a depreciable long-lived asset, the new cost basis will be depreciated or amortized over the remaining useful life of that asset.

Income Taxes - In preparing our consolidated financial statements, significant judgment is required to estimate our income taxes. Our estimates are based on our interpretations of federal and state laws. Deferred income taxes are recognized for the income tax effect of temporary differences between financial statement carrying amounts and the income tax basis of assets and liabilities. We regularly review our deferred income tax assets to determine whether future taxable income will be sufficient to realize the benefits of these assets. A valuation allowance is provided for deferred income tax assets for which it is deemed, more likely than not, that future taxable income will not be sufficient to realize the related income tax benefits from these assets. The amount of the net deferred income tax asset that is considered realizable could be adjusted if estimates of future taxable income are adjusted. We apply a "more likely than not" threshold to the recognition and non-recognition of tax positions. A change in judgment related to prior years' tax positions is recognized in the quarter of such change. Adjustments to temporary differences, permanent differences or uncertain tax positions could materially impact our financial position, cash flows and results of operations.

Fair Value Measurements - The carrying amounts in the balance sheets for accounts receivable, mortgages and notes receivable, accounts payable and accrued expenses approximate fair value because of the immediate or short term maturity of these items. When stated interest rates are below market, we discount mortgage notes receivable to reflect their estimated fair value. We carry our investments at fair value. The carrying amounts reported for our long-term debt approximates fair value as our borrowings with commercial lenders are at interest rates that vary with market conditions and fixed rates that approximate market rates for comparable loans.

Fair value is defined as the price that would be received upon the sale of an asset or paid to transfer a liability (i.e., exit price) in an orderly transaction between market participants at the measurement date. Assets and liabilities measured at fair value are categorized into one of three different levels depending on the assumptions (i.e., inputs) used in the valuation. Assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. The fair value hierarchy is defined as follows:

- Level 1- Valuations are based on unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2- Valuations are based on quoted prices for similar assets or liabilities in active markets, or quoted prices in markets that are not active for which significant inputs are observable, either directly or indirectly.
- Level 3- Valuations are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Inputs reflect management's best estimate of what market participants would use in valuing the asset or liability at the measurement date.

Recent Accounting Pronouncements

<u>Title</u>	<u>Prescribed Effective Date</u>	<u>Commentary</u>
Update No. 2014-08—Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity	12/15/2015 (Q1 2015)	The Company is still evaluating the impact of the adoption of the standard will have on its results of operations and financial position.
Update No. 2014-09—Revenue from Contracts with Customers (Topic 606)	12/15/2016 (Q1 2017)	The Company is still evaluating the impact of the adoption of the standard will have on its results of operations and financial position.

Recent Events

Sugarcane Disposition

On May 19, 2014, we entered into a triple net agricultural lease (the “USSC Lease”) with our sole sugarcane customer, United States Sugar Corporation (“USSC”) of approximately 30,600 gross acres of land in Hendry County, Florida historically used for sugarcane farming. As a result of this lease we were no longer directly engaged in sugarcane farming as of May 19, 2014.

On November 21, 2014, we sold approximately 36,000 acres of sugarcane land to Global Ag Properties USA LLC (“Global”), including the land leased to USSC above, for approximately \$97,900,000 in cash and assigned the USSC Lease to the purchaser. As result of this disposition, we are no longer involved in sugarcane, and the Improved Farmland segment is no longer material to our business. The proceeds from the sale were reinvested on December 2, 2014 (see *Orange-Co Acquisition*) via a tax deferred like-kind exchange pursuant to Internal Revenue Code Section §1031.

Orange-Co Acquisition

On December 2, 2014, we completed the acquisition of certain citrus and related assets of Orange-Co, LP (“Orange-Co”) pursuant to an Asset Purchase Agreement (the “Orange-Co Purchase Agreement”), dated as of December 1, 2014. The assets we purchased include approximately 20,263 acres of citrus groves in DeSoto and Charlotte counties, Florida, which comprises one of the largest contiguous citrus grove properties in the state of Florida. The purchase price was approximately \$274,000,000 including: (1) \$147,500,000 in initial cash consideration, subject to adjustment as set forth in the Orange-Co Purchase Agreement; (2) up to \$7,500,000 in additional cash consideration to be released from escrow in equal parts, subject to certain limitations, on the 12- and 18-month anniversaries of the Closing Date; (3) the assumption and refinancing of Orange-Co’s outstanding debt including approximately \$91,200,000 in term debt and a working capital facility of approximately \$27,800,000; and (4) the assumption of certain other liabilities. On the Closing Date, the Company deposited an irrevocable standby letter of credit issued by Rabo Agrifinance, Inc. (“Rabo”) in the aggregate amount of \$7,500,000 into an escrow account to fund the additional cash consideration.

We concurrently entered into arrangements to finance the Orange-Co acquisition as follows:

Metlife Credit Agreement

We entered into a First Amended and Restated Credit Agreement with Metropolitan Life Insurance Company and New England Life Insurance Company under which they provided term loans in the aggregate principal amount of \$182,500,000 and \$25,000,000 in revolving credit commitments.

The Metlife Agreement amends and restates existing credit facilities, dated as of September 8, 2010 (as amended from time to time, the “Prior Credit Agreement”) between the Company and Rabo. Under the Prior Credit Agreement, we had a term loan in the initial principal amount of \$40,000,000, of which \$33,500,000 was outstanding at the date of refinancing and \$60,000,000 in undrawn revolving credit commitments.

Rabo Credit Agreement

We entered into a Credit Agreement with Rabo under which they have provided a \$70,000,000 revolving working capital line of credit for the Company.

Silver Nip Merger Agreement

On December 2, 2014, we entered into an Agreement and Plan of Merger (the “Merger Agreement”) with 734 Sub, LLC, a wholly owned subsidiary of the Company (“Merger Sub”), 734 Citrus Holdings, LLC (“Silver Nip Citrus”) and, solely with respect to certain sections thereof, the equity holders of Silver Nip Citrus (see “Note 14. Related Party Transactions” in the Notes to Consolidated Financial Statements). The Merger Agreement provides that, upon the terms and subject to the conditions set forth therein, Merger Sub will merge with and into Silver Nip Citrus (the “Merger”), with Silver Nip Citrus surviving the Merger as a wholly owned subsidiary of the Company. Subject to the terms and conditions set forth in the Merger Agreement, the Company will issue shares of the Company’s common stock to the equity holders of Silver Nip Citrus as follows:

- at the effective time of the Merger, up to 1,463,544 shares of Common Stock, subject to certain adjustments set forth in the Merger Agreement for Silver Nip Citrus’s net indebtedness at the closing of the Merger, amounts related to certain groves specified in the Merger Agreement, certain Silver Nip Citrus transaction expenses and the trading price of the Common Stock; and
- thirty (30) days after the end of Silver Nip Citrus’s 2014-2015 citrus harvest season, an additional amount of shares of Common Stock, with the number of shares issued to be based on the net proceeds received by the Company from the sale of citrus fruit harvested on certain Silver Nip Citrus groves after the closing of the Merger, subject to certain adjustments set forth in the Merger Agreement for the cost to harvest the citrus fruit and the trading price of the Common Stock.

Completion of the Merger is conditioned, among other things, on: (1) approval of the Stock Issuance by a majority of the holders of the Company’s common stock voting at a special meeting or acting by written consent to approve the Stock Issuance and, if such approval is obtained through action by written consent, the expiration of a twenty (20)-day waiting period after the date an information statement of the Company prepared in accordance with Regulation 14C of the Exchange Act and such information statement, is delivered to the Company’s shareholders; (2) receipt of a final appraisal of the Silver Nip Citrus groves; (3) receipt of certain third-party consents; (4) completion of an audit of Silver Nip Citrus’s 2014 consolidated financials and receipt of an unqualified audit opinion; (5) material compliance by the other party with all of its obligations under the Merger Agreement; and (6) subject to certain exceptions, the accuracy of the representations and warranties of the other party subject to a material adverse effect standard (as defined in the Merger Agreement).

734 Investors, LLC (“734 Investors”), the Company’s majority shareholder, will seek the consent of a majority of its disinterested members to direct 734 Investors to approve the Stock Issuance by a written consent of its shares of Common Stock.

Water Storage Contract Approval

In December 2012, the South Florida Water Management District (“SFWMD”) issued a solicitation request for projects to be considered for the Northern Everglades Payment for Environmental Services Program. In March 2013, the Company submitted its response proposing a dispersed water management project on its ranch land.

On December 11, 2014, the SFWMD approved a contract, based on the submitted response, with the Company. The contract term is eleven years and allows up to one year for implementation (design, permitting, construction and construction completion certification) and ten years of operation whereby the Company will provide water retention services. Payment for these services includes an amount not to exceed \$4,000,000 of reimbursement for implementation. In addition it provides for an annual fixed payment of \$12,000,000 for operations and maintenance costs as long as the project is in compliance with the contract and subject to annual SFWMD Governing Board (“Board”) approval of funding. The contract specifies that the Board has to approve the payments annually and there can be no assurance that it will approve the annual fixed payments.

Other Transactions

On July 1, 2014, we sold a 2,800 acre parcel of land in Polk County, Florida for \$5,623,000. This parcel was surplus to our operations and was classified as held for sale. This sale was part of a like-kind exchange transaction intended to qualify for tax-deferral treatment in accordance with Internal Revenue Code §1031.

On September 23, 2014, we purchased a 1,241 acre citrus grove (867 net tree acres) in DeSoto County, FL for a purchase price of approximately \$16,500,000. The purchase price was funded from our cash and cash equivalents and \$5,300,000 in funds from a 2014 like-kind exchange transaction in Polk County pursuant to Internal Revenue Code §1031.

Results of Operations

The following table sets forth a comparison of results of operations for the fiscal years ended September 30, 2014, 2013, and 2012:

(in thousands)

	Fiscal Year Ended				Fiscal Year Ended			
	September 30,		Change		September 30,		Change	
	2014	2013	\$	%	2013	2012	\$	%
Operating revenues:								
Citrus Groves	\$ 47,069	\$ 43,689	\$ 3,380	7.7%	\$ 43,689	\$ 55,423	\$ (11,734)	(21.2)%
Agricultural Supply Chain Management	12,376	28,412	(16,036)	(56.4)%	28,412	48,334	(19,922)	(41.2)%
Improved Farmland	20,429	21,917	(1,488)	(6.8)%	21,917	15,316	6,601	43.1%
Ranch and Conservation	8,172	6,755	1,417	21.0%	6,755	7,348	(593)	(8.1)%
Other Operations	634	888	(254)	(28.6)%	888	766	122	15.9%
Total operating revenues	88,680	101,661	(12,981)	(12.8)%	101,661	127,187	(25,526)	(20.1)%
Gross profit:								
Citrus Groves	16,856	12,156	4,700	38.7%	12,156	24,428	(12,272)	(50.2)%
Agricultural Supply Chain Management	59	463	(404)	(87.3)%	463	641	(178)	(27.8)%
Improved Farmland	(927)	5,715	(6,642)	(116.2)%	5,715	3,742	1,973	52.7%
Ranch and Conservation	3,842	2,957	885	29.9%	2,957	3,851	(894)	(23.2)%
Other Operations	260	383	(123)	(32.1)%	383	(430)	813	(189.1)%
Total gross profit	20,090	21,674	(1,584)	(7.3)%	21,674	32,232	(10,558)	(32.8)%
Corporate, general and administrative expenses	12,234	9,739	2,495	25.6%	9,739	8,490	1,249	14.7%
Income from operations	7,856	11,935	(4,079)	(34.2)%	11,935	23,742	(11,807)	(49.7)%
Other income (expense), net	3,927	19,740	(15,813)	(80.1)%	19,740	5,720	14,020	245.1%
Income before income taxes	11,783	31,675	(19,892)	(62.8)%	31,675	29,462	2,213	7.5%
Income taxes	(3,733)	(12,029)	8,296	(69.0)%	(12,029)	(10,973)	(1,056)	9.6%
Net income	\$ 8,050	\$ 19,646	\$ (11,596)	(59.0)%	\$ 19,646	\$ 18,489	\$ 1,157	6.3%

A discussion of our segment results of operations follows.

Citrus Groves

The table below presents key operating measures for the fiscal years ended September 30, 2014, 2013 and 2012:

	Fiscal Year Ended				Fiscal Year Ended			
	September 30,		Change		September 30,		Change	
	2014	2013	\$	%	2013	2012	\$	%
Revenue From:								
Early and Mid Season	\$ 19,281	\$ 17,923	\$ 1,358	7.6%	\$ 17,923	\$ 24,376	\$ (6,453)	(26.5)%
Valencias	25,093	23,216	1,877	8.1%	23,216	28,331	(5,115)	(18.1)%
Fresh Fruit	2,054	2,451	(397)	(16.2)%	2,451	2,582	(131)	(5.1)%
Other	641	99	542	NM	99	134	(35)	(26.1)%
Total	<u>\$ 47,069</u>	<u>\$ 43,689</u>	<u>\$ 3,380</u>	<u>7.7%</u>	<u>\$ 43,689</u>	<u>\$ 55,423</u>	<u>\$ (11,734)</u>	<u>(21.2)%</u>
Boxes Harvested:								
Early and Mid Season	1,645	1,900	(255)	(13.4)%	1,900	2,186	(286)	(13.1)%
Valencias	1,614	1,967	(353)	(18.0)%	1,967	2,171	(204)	(9.4)%
Total Processed	<u>3,259</u>	<u>3,867</u>	<u>(608)</u>	<u>(15.7)%</u>	<u>3,867</u>	<u>4,357</u>	<u>(490)</u>	<u>(11.2)%</u>
Fresh Fruit	185	251	(66)	(26.3)%	251	278	(27)	(9.7)%
Total	<u>3,444</u>	<u>4,118</u>	<u>(674)</u>	<u>(16.4)%</u>	<u>4,118</u>	<u>4,635</u>	<u>(517)</u>	<u>(11.2)%</u>
Pound Solids Produced:								
Early and Mid Season	10,222	11,612	(1,390)	(12.0)%	11,612	14,030	(2,418)	(17.2)%
Valencias	10,826	13,134	(2,308)	(17.6)%	13,134	15,039	(1,905)	(12.7)%
Total	<u>21,048</u>	<u>24,746</u>	<u>(3,698)</u>	<u>(14.9)%</u>	<u>24,746</u>	<u>29,069</u>	<u>(4,323)</u>	<u>(14.9)%</u>
Pound Solids per Box:								
Early and Mid Season	6.21	6.11	0.10	1.6%	6.11	6.42	(0.31)	(4.8)%
Valencias	6.71	6.68	0.03	0.4%	6.68	6.93	(0.25)	(3.6)%
Price per Pound Solid:								
Early and Mid Season	\$ 1.89	\$ 1.54	\$ 0.35	22.7%	\$ 1.54	\$ 1.74	\$ (0.20)	(11.5)%
Valencias	\$ 2.32	\$ 1.77	\$ 0.55	31.1%	\$ 1.77	\$ 1.88	\$ (0.11)	(5.9)%
Price per Box:								
Fresh Fruit	\$ 11.10	\$ 9.76	\$ 1.34	13.7%	\$ 9.76	\$ 9.29	\$ 0.47	5.0%
Operating Expenses:								
Cost of Sales	\$ 20,233	\$ 19,803	\$ 430	2.2%	\$ 19,803	\$ 17,822	\$ 1,981	11.1%
Harvesting and Hauling	9,978	11,473	(1,495)	(13.0)%	11,473	13,173	(1,700)	(12.9)%
Other	2	257	(255)	(99.2)%	257	-	257	NM
Total	<u>\$ 30,213</u>	<u>\$ 31,533</u>	<u>\$ (1,320)</u>	<u>(4.2)%</u>	<u>\$ 31,533</u>	<u>\$ 30,995</u>	<u>\$ 538</u>	<u>1.7%</u>

NM - Not Meaningful

We sell our Early and Mid-Season and Valencia oranges to processors that convert the majority of the citrus crop into orange juice. They generally buy their citrus on a pound solids basis, which is the measure of the soluble solids (sugars and acids) contained in one box of fruit. Fresh Fruit is generally sold to packing houses that purchase their citrus on a per box basis. Our Operating Expenses consist primarily of Cost of Sales and Harvesting and Hauling. Cost of Sales represents the cost of maintaining our citrus groves for the preceding calendar year and does not vary in relation to production.

Harvesting and Hauling represents the cost of bringing citrus product to processors and varies based upon the number of boxes produced.

The declines for fiscal year 2014 versus fiscal year 2013 in boxes harvested and pound solids produced are being driven by growing season fluctuations in production which may be attributable to various factors, including changes in weather, horticultural practices and the effects of diseases and pests, including Citrus Greening. The industry and the Company both experienced higher than normal premature fruit drop in certain areas of our groves and smaller sized fruit that contributed to the 16.4% smaller box harvest than prior year. Although our total pounds solid produced for fiscal year 2014 declined 14.9% versus the same period of the prior year, our total revenue increased 7.7% due to the significant increase in the price per pound solid for both the Early and Mid-Season and Valencia oranges.

The statewide environmental and horticultural factors described above have negatively impacted our citrus crops and certain key operating measures presented above. The Florida orange crop declined by 29,000,000 boxes or approximately 22% versus the prior year, and therefore our per acre production continues to significantly outpace the average production in the state of Florida.

The USDA, in its October 10, 2014 Citrus Crop Forecast indicated that it believes the Florida orange crop will increase from 104,600,000 boxes for the 2013/2014 crop year to 108,000,000 boxes for the 2014/2015 crop year, an increase of 3.3%. However, we expect our 2015 processed boxes to be not materially less than our 2014 processed boxes on a per acre basis. For fiscal year 2015, we expect that the forecasted slight increase in the size of the statewide crop could cause the price per pound solids for fiscal year 2015 to remain at or above the price for fiscal year 2014. We expect that operating expenses for fiscal year 2015 will remain in-line with fiscal year 2014 on a per acre basis.

The increase in Citrus Groves gross profit for fiscal year 2014 versus fiscal year 2013 relates primarily to the increased prices and revenue discussed above offset by an increase of 2.2% in growing costs for the 2013/2014 harvesting season crop to \$20,233,000 from \$19,803,000. Per box harvest and hauling costs remained in line.

The decline in Citrus Groves gross profit for fiscal year 2013 versus fiscal year 2012 relates primarily to the change in revenue shown above plus an increase of 11.1% in growing costs for the fiscal year 2013 crop, primarily driven by increases in the market price of fertilizer.

Agricultural Supply Chain Management

The table below presents key operating measures for the fiscal years ended September 30, 2014, 2013 and 2012:

(in thousands, except per box and per pound solid data)

	Fiscal Year Ended				Fiscal Year Ended			
	September 30,		Change		September 30,		Change	
	2014	2013	\$	%	2013	2012	\$	%
Purchase and Resale of Fruit:								
Revenue	\$10,096	\$22,858	\$(12,762)	(55.8)%	\$22,858	\$41,319	\$(18,461)	(44.7)%
Boxes Sold	836	2,377	(1,541)	(64.8)%	2,377	3,235	(858)	(26.5)%
Pound Solids Sold	5,195	14,839	(9,644)	(65.0)%	14,839	21,097	(6,258)	(29.7)%
Pound Solids per Box	6.21	6.24	(0.03)	(0.5)%	6.24	6.52	(0.28)	(4.3)%
Price per Pound Solids	\$ 1.94	\$ 1.54	\$ 0.40	26.0%	\$ 1.54	\$ 1.96	\$ (0.42)	(21.4)%
Value Added Services:								
Revenue	\$ 1,891	\$ 3,592	\$ (1,701)	(47.4)%	\$ 3,592	\$ 4,443	\$ (851)	(19.2)%
Value Added Boxes	652	2,761	(2,109)	(76.4)%	2,761	3,031	(270)	(8.9)%
Other Revenue	\$ 389	\$ 1,962	(1,573)	(80.2)%	\$ 1,962	\$ 2,572	(610)	(23.7)%

For fiscal year 2014 versus fiscal year 2013, the declines in Purchase and Resale of Fruit revenue, boxes sold and pound solids sold, as well as the declines in Value Added Services revenue and boxes, are all being primarily driven by a management decision to reduce the number of external boxes handled by Alico Fruit Company in fiscal year 2014 and to a lesser extent declines in Florida citrus production. The decline in Alico Fruit Company gross profit relates primarily to the changes in revenue outlined above.

For fiscal year 2015, we would expect gross profit for both segments to remain relatively in-line with fiscal year 2014.

For fiscal year 2013 versus fiscal year 2012, the declines in Purchase and Resale of Fruit revenue, boxes sold, pound solids sold, pound solids per box and price per pound solids as well as the declines in Value Added Services revenue and boxes, are all being driven primarily by statewide harvest and market conditions as discussed under Citrus Groves above.

Improved Farmland

The table below presents key operating measures for the fiscal years ended September 30, 2014, 2013 and 2012:

(in thousands, except per net standard ton and per acre data)

	Fiscal Year Ended				Fiscal Year Ended			
	September 30,		Change		September 30,		Change	
	2014	2013	\$	%	2013	2012	\$	%
Revenue From:								
Sale of Sugarcane	\$ 17,428	\$ 20,125	\$ (2,697)	(13.4)%	\$ 20,125	\$ 13,931	\$ 6,194	44.5%
Molasses Bonus	817	800	17	2.1%	800	512	288	56.3%
Land Leasing	1,389	779	610	78.3%	779	873	(94)	(10.8)%
Other	795	213	582	NM	213	-	213	NM
Total	<u>\$ 20,429</u>	<u>\$ 21,917</u>	<u>\$ (1,488)</u>	<u>(6.8)%</u>	<u>\$ 21,917</u>	<u>\$ 15,316</u>	<u>\$ 6,601</u>	<u>43.1%</u>
Net Standard Tons Sold	590	546	44	8.1%	546	339	207	61.1%
Price Per Net Standard Ton:								
Sale of Sugarcane	\$ 29.54	\$ 36.86	\$ (7.32)	(19.9)%	\$ 36.86	\$ 41.09	\$ (4.23)	(10.3)%
Molasses	\$ 1.38	\$ 1.47	\$ (0.09)	(6.1)%	\$ 1.47	\$ 1.51	\$ (0.04)	(2.6)%
Net Standard Tons/Acre	35.20	41.14	(5.94)	(14.4)%	41.14	35.19	5.95	16.9%
Operating Expenses:								
Cost of Sales	\$ 14,368	\$ 11,580	\$ 2,788	24.1%	\$ 11,580	\$ 8,626	\$ 2,954	34.2%
Harvesting and Hauling	3,759	4,298	(539)	(12.5)%	4,298	2,501	1,797	71.9%
Land Leasing Expenses	3,229	324	2,905	NM	324	447	(123)	(27.5)%
Total	<u>\$ 21,356</u>	<u>\$ 16,202</u>	<u>\$ 5,154</u>	<u>31.8%</u>	<u>\$ 16,202</u>	<u>\$ 11,574</u>	<u>\$ 4,628</u>	<u>40.0%</u>

NM - Not Meaningful

For fiscal year 2014, the amount of acres used to produce sugarcane increased to 16,728 from 13,272 in fiscal year 2013. The increase in net standard tons sold is related to the increased acreage in production for fiscal year 2014 versus fiscal year 2013. The increase in production for fiscal year 2014 versus fiscal year 2013 is more than offset by the 19.9% decrease in price per net standard ton that has resulted from changes in market conditions. Our Operating Expenses consist primarily of Cost of Sales and Harvesting and Hauling. Cost of Sales represents the cost of maintaining our sugarcane land for the preceding calendar year and does not vary in relation to production. Harvesting and Hauling represents the cost of bringing sugarcane product to our processor and varies based upon the number of net standard tons produced.

The decrease in gross profit for fiscal year 2014 versus fiscal year 2013 is related primarily to the 19.9% decrease in price per standard ton discussed above, partially offset by a 1.6% decrease in growing costs per acre and a 19.1% decrease in harvest and hauling costs per net standard ton versus fiscal year 2013 which relates primarily to the elimination of long-haul charges related to the transportation of sugarcane via truck.

Additionally, the gross profit of the Improved Farmland segment was negatively impacted by a charge of approximately \$2,300,000 in May 2014 recorded as an operating expense related to the reimbursement to the Company, at less than book value, for certain of our costs to develop and plant sugarcane, cultivate and care take sugarcane and purchase certain rolling stock used in our sugarcane operation. The charge relates to the triple net agricultural lease entered into with our sole sugarcane customer, USSC.

For fiscal year 2013 versus fiscal year 2012, the increases in revenues and net standard tons sold relate primarily to the increase in producing acres to 13,272 in fiscal year 2013 from 9,634 in fiscal year 2012 as well as a 16.9% increase in net standard tons per acre. The increase in production is partially offset by the decrease in price per net standard ton that resulted from changes in market conditions in fiscal year 2013 versus fiscal year 2012. Our Operating Expenses consist primarily of Cost of Sales and Harvesting and Hauling. Cost of Sales represents the cost of maintaining our sugarcane land for the preceding calendar year and does not vary in relation to production. Harvesting and Hauling represents the cost of bringing sugarcane product to our processor and varies based upon the number of net standard tons produced.

The increase in gross profit for fiscal year 2013 versus fiscal year 2012 is related primarily to the increase in revenues discussed above and a 2.3% decrease in growing costs per acre versus fiscal year 2012. This increase is partially offset by a 5% increase in per net standard ton harvest and hauling costs versus of the prior year.

On November 21, 2014, we sold approximately 36,000 acres of sugarcane land to Global, including the land leased to USSC above, for approximately \$97,900,000 in cash and assigned the USSC Lease to the purchaser. As result of this disposition, we are no longer involved in sugarcane, and the Improved Farmland segment is no longer material to our business.

Ranch and Conservation

The table below presents key operating measures for the fiscal years ended September 30, 2014, 2013 and 2012:

(in thousands, except per pound data)

	Fiscal Year Ended				Fiscal Year Ended			
	September 30,		Change		September 30,		Change	
	2014	2013	\$	%	2013	2012	\$	%
Revenue From:								
Sale of Calves	\$ 5,735	\$ 4,797	\$ 938	19.6%	\$ 4,797	\$ 5,181	\$ (384)	(7.4)%
Sale of Culls	1,118	560	558	99.6%	560	713	(153)	(21.5)%
Land Leasing	981	983	(2)	(0.2)%	983	1,067	(84)	(7.9)%
Other	338	415	(77)	(18.6)%	415	387	28	7.2%
Total	<u>\$ 8,172</u>	<u>\$ 6,755</u>	<u>\$ 1,417</u>	<u>21.0%</u>	<u>\$ 6,755</u>	<u>\$ 7,348</u>	<u>\$ (593)</u>	<u>(8.1)%</u>
Pounds Sold:								
Calves	2,964	3,229	(265)	(8.2)%	3,229	3,182	47	1.5%
Culls	1,181	680	501	73.7%	680	933	(253)	(27.1)%
Price Per Pound:								
Calves	\$ 1.93	\$ 1.49	\$ 0.44	29.5%	\$ 1.49	\$ 1.63	\$ (0.14)	(8.6)%
Culls	\$ 0.95	\$ 0.82	\$ 0.13	15.9%	\$ 0.82	\$ 0.76	\$ 0.06	7.9%
Operating Expenses:								
Cost of Calves Sold	\$ 3,569	\$ 3,274	\$ 295	9.0%	\$ 3,274	\$ 2,818	\$ 456	16.2%
Cost of Culls Sold	456	280	176	62.9%	280	370	(90)	(24.3)%
Land Leasing Expenses	274	239	35	14.6%	239	309	(70)	(22.7)%
Other	31	5	26	NM	5	-	5	NM
Total	<u>\$ 4,330</u>	<u>\$ 3,798</u>	<u>\$ 532</u>	<u>14.0%</u>	<u>\$ 3,798</u>	<u>\$ 3,497</u>	<u>\$ 301</u>	<u>8.6%</u>

NM - Not Meaningful

The increase in revenue from the sale of calves in fiscal year 2014 versus fiscal year 2013 results primarily from the increase in price per pound, partially offset by a slight decrease in pounds sold. The increase in cull revenue for fiscal year 2014 versus 2013 results from an increase in pounds sold and an increase in price per pound. The increase in gross profit for fiscal year 2014 versus 2013 relates primarily to the increased price per pound of beef.

For fiscal year 2015, we expect to have a breeding herd of approximately 9,300 cows and expect that the price per pound of beef sold will remain in line with the price per pound for fiscal year 2014. We expect operating expenses for fiscal year 2015 to remain relatively in-line with fiscal year 2014.

The decrease in revenues from the sale of calves in fiscal year 2013 versus fiscal year 2012 results primarily from the decrease in price per pound, partially offset by a small increase in pounds sold. We have approximately 600 additional calves (approximately 290,000 pounds) that are expected to be sold in the first quarter of fiscal year 2014 that were raised during the 2012/2013 crop year and which were expected to be sold in the fourth quarter of fiscal year 2013. The decrease in revenues from the sale of culls for fiscal year 2013 versus fiscal year 2012 results primarily from the decrease in the number of pounds of culls sold, partially offset by the increase in the price per pound for culls. The number of head culled from our herd decreased versus fiscal year 2012 as the quality of our breeding herd was improved by culls sold in fiscal year 2012.

Other Operations

Other Operations includes leasing revenue of \$321,00, \$445,000, and \$480,000 for fiscal years 2014, 2013 and 2012, respectively and gross profit of \$131,000, \$155,000, and 179,000 for fiscal years 2014, 2013 and 2012, respectively.

General and Administrative

The increase in general and administrative expenses for fiscal year 2014 versus the fiscal year 2013 relates primarily to costs incurred related to the change in control described in "Recent Events," which totaled \$2,600,000 and a \$1,800,000 increase in professional fees related to business development.

The increase in general and administrative expenses for fiscal year 2013 versus fiscal year 2012 relates primarily to costs incurred related to the pursuit of a transaction as described in "Recent Events," which totaled \$1,816,000 in fiscal year 2013. Excluding those costs, general and administrative expenses decreased due primarily to a decrease in professional fees related to the settlement of the shareholder derivative lawsuit and the IRS appeal.

Income Tax Expense

Our effective tax rates were 31.9%, 38.0% and 37.2% for the fiscal years ended September 30, 2014, 2013 and 2012, respectively. The change in rate in fiscal year 2014 versus fiscal year 2013 relates primarily to changes in the relative magnitude of various permanent book-tax differences.

At September 30, 2014, we had \$58,001,000 of gross deferred tax assets comprised primarily of \$27,200,000 of capital loss carry-forwards expiring in fiscal year 2018, \$16,159,000 of state bonus depreciation disallowance, \$8,284,000 of outside basis difference related to our investment in Alico-Agri, Ltd., and \$4,198,000 of accrued pension costs. No valuation allowance was recorded on any of our deferred tax assets. We expect to realize all of our deferred tax assets prior to their expiration, if any.

Liquidity and Capital Resources

A comparative balance sheet summary is presented in the following table:

(in thousands)

	<u>September 30,</u>		<u>Change</u>
	<u>2014</u>	<u>2013</u>	
Cash and cash equivalents	\$ 30,779	\$ 24,583	\$ 6,196
Investments	\$ 263	\$ 260	\$ 3
Total current assets	\$ 112,072	\$ 59,795	\$ 52,277
Total current liabilities	\$ 15,696	\$ 11,491	\$ 4,205
Working capital	\$ 96,376	\$ 48,304	\$ 48,072
Total assets	\$ 203,567	\$ 198,840	\$ 4,727
Notes payable	\$ 34,000	\$ 36,000	\$ (2,000)
Current ratio	7.14 to 1	5.20 to 1	

We believe that our current cash position, revolving credit facility and the cash we expect to generate from operating activities will provide us with sufficient liquidity to satisfy our working capital requirements and capital expenditures for at least the next 12 months. We have a \$60,000,000 revolving line of credit (“RLOC”) which was available for our general use at September 30, 2014 (see “Note 11. Long-Term Debt” in the Notes to Consolidated Financial Statements).

The net increase in cash and cash equivalents was primarily due to the following factors:

- Cash provided by operations of \$27,452,000,
- Capital expenditures of \$13,108,000,
- Acquisition of Citrus Grove of \$16,517,000,
- Disposal of property and equipment of \$14,473,000,
- Principal payments on debt of \$2,000,000,
- Treasury stock purchases of \$4,844,000, and
- Dividends paid of \$2,781,000

Net Cash Provided By Operating Activities

The following table details the items contributing to Net Cash Provided by Operating Activities for fiscal years 2014, 2013 and 2012:

<i>(in thousands)</i>	Fiscal Year Ended September 30,			Fiscal Year Ended September 30,		
	2014	2013	Change	2013	2012	Change
Net Income	\$ 8,050	\$ 19,646	\$ (11,596)	\$ 19,646	\$ 18,489	\$ 1,157
Depreciation and Amortization	7,880	9,675	(1,795)	9,675	8,429	1,246
Net Gain on Sale of Property and Equipment	(4,369)	(20,894)	16,525	(20,894)	(8,800)	(12,094)
Other Non-Cash Income Expenses	278	9,907	(9,629)	9,907	6,205	3,702
Change in Working Capital	15,613	(4,908)	20,521	(4,908)	(688)	(4,220)
Cash provided by operations	<u>\$ 27,452</u>	<u>\$ 13,426</u>	<u>\$ 14,026</u>	<u>\$ 13,426</u>	<u>\$ 23,635</u>	<u>\$ (10,209)</u>

The factors contributing to the decrease in net income for the fiscal year 2014 versus fiscal year 2013 are discussed in “Results of Operations.” The net gain on the sale of property and equipment decreased from fiscal year 2013 due to the closing of the Conservation Easement offset by the closing of the Polk County sale in fiscal year 2014. Depreciation and Amortization decreased versus year ended 2013 due to the sale of the property and equipment to USSC and the elimination of capitalized sugarcane planting costs. Change in Working Capital decreased due to the elimination of sugarcane inventory and the increased income tax payable both due to the sale to USSC as well as an increase in advance lease payments and an increase in capital lease obligation in fiscal year 2014.

The factors contributing to the decrease in net income for fiscal year 2013 versus fiscal year 2012 are discussed in “Results of Operations.” Depreciation and Amortization increased versus fiscal year 2012 due to purchases of depreciable property and equipment during the last twelve months as well as additional capitalized sugarcane planting costs. The net gain on the sale of property and equipment increased from fiscal year 2012 due to the closing of the Conservation Easement in fiscal year 2013.

Due to the seasonal nature of our business, working capital requirements are typically greater in the first and fourth quarters of our fiscal year coinciding with our planting and harvest cycles. Cash flows from operating activities typically improve in our second and third fiscal quarters as we harvest our crops.

Net Cash Provided By (Used In) Investing Activities

The following table details the items contributing to Net Cash Used in Investing Activities for fiscal years 2014, 2013 and 2012:

<i>(in thousands)</i>	Fiscal Year Ended			Fiscal Year Ended		
	September 30,			September 30,		
	2014	2013	Change	2013	2012	Change
Purchases of property and equipment:						
Sugarcane planting	\$ (2,690)	\$ (3,430)	\$ 740	\$ (3,430)	\$ (4,444)	\$ 1,014
Improvements to farmland	(904)	(4,365)	3,461	(4,365)	(5,153)	788
Citrus nursery	(6,358)	(1,973)	(4,385)	(1,973)	-	(1,973)
Citrus tree development	(1,488)	(977)	(511)	(977)	(895)	(82)
Breeding herd purchases	(1,286)	(3,804)	2,518	(3,804)	(807)	(2,997)
Rolling stock, equipment and other	(382)	(4,375)	3,993	(4,375)	(4,622)	247
Total	(13,108)	(18,924)	5,816	(18,924)	(15,921)	(3,003)
Acquisition of Citrus business	\$ (16,517)	\$ -	(16,517)	\$ -	\$ -	-
Disposal of property and equipment	14,473	24,381	(9,908)	24,381	18,095	6,286
Return on investment in Magnolia	3,814	1,179	2,635	1,179	4,735	(3,556)
Other	10	35	(25)	35	769	(734)
Cash provided by (used in) investing activities	\$ (11,328)	\$ 6,671	\$ (17,999)	\$ 6,671	\$ 7,678	\$ (1,007)

For fiscal year 2014 versus fiscal year 2013, Net Cash Used in Investing Activities increased by \$17,999,000. The factors contributing to the increase are related primarily to the acquisition of the Citrus business for \$16,517,000 as well as the decrease in disposal of property and equipment related to the Conservation Easement land sale in 2013 offset by the Polk County land sale and property and equipment sold to USSC in fiscal year 2014. Purchases of property and equipment have decreased overall due to a decrease in the number of cows and bulls purchased to augment our breeding herd, a decrease in purchases of rolling stock, equipment and other assets as well as improvement to farmland related to the completion of the sugarcane expansion in fiscal year 2013, partially offset by capital expenditures related to the building of our citrus tree nursery in fiscal year 2014. The increase in the return on investment in Magnolia versus fiscal year 2013 relates primarily to the reinstatement of cash distributions by Magnolia after its conversion of a large portion of its tax certificate portfolio to tax deeds.

For fiscal year 2013 versus fiscal year 2012, Net Cash Provided by Investing Activities decreased slightly. The factors contributing to the decrease include an increase in purchases of property and equipment related primarily to completing the conversion of undeveloped and permitted land to approximately 4,000 producing acres of improved farmland in the current year period. Also included in purchases of property and equipment are the costs associated with planting the additional 4,000 acres of sugarcane as well as approximately 1,200 acres of previously fallow sugarcane land, the purchase of 396 acres of land in Alachua County for use as a citrus nursery and the purchase of approximately 2,200 additional heifers. The increase in disposal of property and equipment relates to the timing of the closings of the various sales recorded in the Statement of Comprehensive Income for fiscal year 2013 and 2012. The decrease in the return on investment in Magnolia versus fiscal year 2012 relates primarily to the suspension of cash distributions by Magnolia during the first three quarters of fiscal year 2013 while it converted a large portion of its tax certificate portfolio to tax deeds. Cash distributions re-commenced in the fourth quarter of fiscal year 2013 and are expected to continue until the investment is repaid in full.

Net Cash Used In Financing Activities

The following table details the items contributing to Net Cash Used in Financing Activities for fiscal year 2014 and 2013:

<i>(in thousands)</i>	Fiscal Year Ended September 30,			Fiscal Year Ended September 30,		
	2014	2013	Change	2013	2012	Change
Principal payments on notes payable	\$ (2,000)	\$ (3,900)	\$ 1,900	\$ (3,900)	\$ (3,279)	\$ (621)
Net repayments on revolving line of credit	-	-	-	-	(13,979)	13,979
Treasury stock purchases	(4,844)	(2,894)	(1,950)	(2,894)	(298)	(2,596)
Capital lease payment	(303)	-	(303)	-	-	-
Dividends paid	(2,781)	(2,048)	(733)	(2,048)	(1,765)	(283)
Cash used in financing activities	<u>\$ (9,928)</u>	<u>\$ (8,842)</u>	<u>\$ (1,086)</u>	<u>\$ (8,842)</u>	<u>\$ (19,321)</u>	<u>\$ 10,479</u>

The decrease in principal payments on notes payable for fiscal year 2014 relates to the payoff of the Farm Credit Mortgage in fiscal year 2013 (see "Note 11. Long-Term Debt" in the Notes to Consolidated Financial Statements). Additionally, we increased our repurchases of stock for fiscal year 2014 subject to the provisions of SEC rule 10b-18 in order to fund grants under the 2013 incentive equity plans (see "Note 12. Treasury Stock" in the Notes to Consolidated Financial Statements).

The increase in principal payments on notes payable for fiscal year 2013 relates to the payoff of the Farm Credit Mortgage (see "Note 11. Long-Term Debt" in the Notes to Consolidated Financial Statements). During fiscal year 2012, we paid down the revolving line of credit as shown above. No net repayments were made in fiscal year 2013. We increased our repurchases of stock for fiscal year 2013 subject to the provisions of SEC rule 10b-18 in order to fund grants under the 2008 and 2013 incentive equity plans (see "Note 12. Treasury Stock" in the Notes to Consolidated Financial Statements).

Contractual Obligations and Off Balance Sheet Arrangements

We have various contractual obligations which are recorded as liabilities in our consolidated financial statements. The following table presents our significant contractual obligations and commercial commitments on an undiscounted basis at September 30, 2014 and the future periods in which such obligations are expected to be settled in cash.

<i>(in thousands)</i>	Payments Due by Period				
	Total	<1 Year	1-3 Years	3-5 Years	5+ Years
Long-Term Debt	\$ 34,000	\$ 2,000	\$ 4,000	\$ 4,000	\$ 24,000
Interest on Long-Term Debt	4,003	787	1,431	1,238	547
Citrus Purchase Contracts	12,152	6,994	5,158	-	-
Retirement Benefits	13,680	352	714	535	12,079
Consulting/Non-Compete Agreement	1,167	1,000	167	-	-
Operating Leases	1,231	578	653	-	-
Capital Leases	1,142	303	606	233	-
Total	<u>\$ 67,375</u>	<u>\$ 12,014</u>	<u>\$ 12,729</u>	<u>\$ 6,006</u>	<u>\$ 36,626</u>

Interest is estimated on our long-term debt at 2.40% for the Rabo term loan and revolving line of credit. See Item 8. Financial Statements and Schedules, Note 11. Long Term Debt in the Notes to Consolidated Financial Statements.

Purchase Commitments

Alico, through its wholly owned subsidiary Alico Fruit, enters into contracts for the purchase of citrus fruit during the normal course of its business. The remaining obligations under these purchase agreements totaled approximately \$12,152,000 at September 30, 2014 for delivery in fiscal years 2015 through 2016. All of these obligations are covered by sales agreements. Alico's management currently believes that all committed purchase volume will be sold at cost or higher.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Market Risk - Market risk represents the potential loss resulting from adverse changes in the value of financial instruments, either derivative or non-derivative, caused by fluctuations in interest rates, foreign exchange rates, commodity prices, and equity security prices. The Company handles market risks in accordance with its established policies; however, Alico does not enter into derivatives or other financial instruments for trading or speculative purposes. The Company does consider, on occasion, the need to enter into financial instruments to manage and reduce the impact of changes in interest rates; however, the Company entered into no such instruments during the three-year period ended September 30, 2014. Alico held various financial instruments at September 30, 2014 and 2013, consisting of financial assets and liabilities reported in the Company's Consolidated Balance Sheets and off-balance sheet exposures resulting from letters of credit issued for the benefit of Alico.

Interest Rate Risk - The Company is subject to interest rate risk from the utilization of financial instruments, such as term debt and other borrowings. The fair market value of long-term, fixed-interest rate debt is subject to interest rate risk. The Company's primary long-term obligations are floating rate debt and are not subject to fair value risk. A one percentage-point increase in prevailing interest rates would have resulted in an increase in interest expense of \$347,500 before income taxes for the year ended September 30, 2014.

Foreign-Exchange Rate Risk - The Company currently has no exposure to foreign-exchange rate risk because all of its financial instruments are denominated in U.S. dollars.

Commodity Price Risk - The Company has no financial instruments subject to commodity price risk.

Equity Security Price Risk - None of the Company's financial instruments have potential exposure to equity security price risk.

Item 8. Financial Statements and Supplementary Data.

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All schedules are omitted for the reason that they are not applicable or the required information is included in the financial statements or notes.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
Alico, Inc.

We have audited the accompanying consolidated balance sheets of Alico, Inc. and Subsidiaries as of September 30, 2014 and 2013, and the related consolidated statements of comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Alico, Inc. and Subsidiaries as of September 30, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2014, in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Alico, Inc. and Subsidiaries' internal control over financial reporting as of September 30, 2014, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated December 12, 2014 expressed an unqualified opinion on the effectiveness of Alico, Inc. and Subsidiaries' internal control over financial reporting.

/s/ McGladrey LLP
Orlando, Florida
December 12, 2014

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
Alico, Inc.

We have audited Alico, Inc. and Subsidiaries' internal control over financial reporting as of September 30, 2014, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Alico, Inc. and Subsidiaries' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Alico, Inc. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of September 30, 2014, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Alico, Inc. and Subsidiaries as of September 30, 2014 and 2013, and the related consolidated statements of comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2014, and our report dated December 12, 2014 expressed an unqualified opinion.

/s/ McGladrey LLP
Orlando, Florida
December 12, 2014

ALICO, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except share and per share amounts)

	September 30,	
	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 30,779	\$ 24,583
Investments	263	260
Accounts receivable, net	3,847	4,266
Inventories	19,929	29,403
Assets held for sale	56,681	-
Other current assets	573	1,283
Total current assets	112,072	59,795
Investment in Magnolia Fund	1,435	5,086
Investments, deposits and other non-current assets	1,933	1,991
Cash surrender value of life insurance	695	897
Property, buildings and equipment, net	87,432	131,071
Total assets	\$ 203,567	\$ 198,840
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,729	\$ 1,729
Long-term debt, current portion	2,000	2,000
Accrued expenses	1,618	2,354
Income taxes payable	4,572	1,171
Dividend payable	442	1,461
Accrued ad valorem taxes	1,850	1,634
Other current liabilities	3,485	1,142
Total current liabilities	15,696	11,491
Long-term debt, net of current portion	32,000	34,000
Capital lease obligation, noncurrent	839	-
Deferred income taxes	5,739	6,584
Deferred retirement benefits, net of current portion	3,856	4,029
Total liabilities	58,130	56,104
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, no par value. Authorized 1,000,000 shares; issued and outstanding, none	-	-
Common stock, \$1 par value; 15,000,000 shares authorized; 7,377,106 shares issued and 7,361,340 and 7,303,568 shares outstanding at September 30, 2014 and September 30, 2013, respectively	7,377	7,377
Additional paid in capital	3,742	9,496
Treasury stock at cost, 15,766 and 73,538 shares held at September 30, 2014 and September 30, 2013, respectively	(650)	(2,816)
Retained earnings	134,968	128,679
Total stockholders' equity	145,437	142,736
Total liabilities and stockholders' equity	\$ 203,567	\$ 198,840

See accompanying notes to consolidated financial statements.

ALICO, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands, except per share amounts)

	Fiscal Year Ended September 30,		
	2014	2013	2012
Operating revenues:			
Citrus Groves	\$ 47,069	\$ 43,689	\$ 55,423
Agricultural Supply Chain Management	12,376	28,412	48,334
Improved Farmland	20,429	21,917	15,316
Ranch and Conservation	8,172	6,755	7,348
Other Operations	634	888	766
Total operating revenue	<u>88,680</u>	<u>101,661</u>	<u>127,187</u>
Operating expenses:			
Citrus Groves	30,213	31,533	30,995
Agricultural Supply Chain Management	12,317	27,949	47,693
Improved Farmland	21,356	16,202	11,574
Ranch and Conservation	4,330	3,798	3,497
Other Operations	374	505	1,196
Total operating expenses	<u>68,590</u>	<u>79,987</u>	<u>94,955</u>
Gross profit	20,090	21,674	32,232
Corporate general and administrative	<u>12,234</u>	<u>9,739</u>	<u>8,490</u>
Income from operations	7,856	11,935	23,742
Other (expense) income:			
Interest and investment income, net	131	704	97
Interest expense	(969)	(1,257)	(1,616)
Gain on sale of real estate	4,820	20,299	9,113
Impairment of assets held for sale	-	-	(1,918)
Other income (loss), net	(55)	(6)	44
Total other income, net	<u>3,927</u>	<u>19,740</u>	<u>5,720</u>
Income before income taxes	11,783	31,675	29,462
Income taxes	<u>3,733</u>	<u>12,029</u>	<u>10,973</u>
Net income attributable to common shareholders	8,050	19,646	18,489
Comprehensive income, net of tax effect	<u>-</u>	<u>-</u>	<u>-</u>
Comprehensive income attributable to common shareholders	<u>\$ 8,050</u>	<u>\$ 19,646</u>	<u>\$ 18,489</u>
Weighted-average number of shares outstanding:			
Basic	7,336	7,313	7,355
Diluted	7,354	7,357	7,355
Earnings per common share:			
Basic	\$ 1.10	\$ 2.69	\$ 2.51
Diluted	\$ 1.09	\$ 2.67	\$ 2.51
Cash dividends declared per common share	\$ 0.24	\$ 0.36	\$ 0.20

See accompanying notes to consolidated financial statements.

ALICO, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)

	<u>Common Stock</u>		<u>Additional Paid In Capital</u>	<u>Treasury Stock at Cost</u>	<u>Retained Earnings</u>	<u>Total</u>
	<u>Shares Issued</u>	<u>Amount</u>				
Balance at September 30, 2011	7,377	7,377	9,212	(862)	94,935	110,662
Net income	-	-	-	-	18,489	18,489
Dividends	-	-	-	-	(1,765)	(1,765)
Treasury stock purchases	-	-	-	(298)	-	(298)
Stock-based compensation:						
Directors	-	-	(104)	589	-	485
Employees	-	-	(55)	28	-	(27)
Balance at September 30, 2012	7,377	7,377	9,053	(543)	111,659	127,546
Net income	-	-	-	-	19,646	19,646
Dividends	-	-	-	-	(2,626)	(2,626)
Treasury stock purchases	-	-	-	(2,894)	-	(2,894)
Stock-based compensation:						
Directors	-	-	392	591	-	983
Employees	-	-	51	30	-	81
Balance at September 30, 2013	7,377	7,377	9,496	(2,816)	128,679	142,736
Net income	-	-	-	-	8,050	8,050
Dividends	-	-	-	-	(1,761)	(1,761)
Treasury stock purchases	-	-	-	(4,844)	-	(4,844)
Stock-based compensation:						
Directors	-	-	(26)	1,087	-	1,061
Employees	-	-	(5,728)	5,923	-	195
Balance at September 30, 2014	7,377	\$ 7,377	\$ 3,742	\$ (650)	\$ 134,968	\$ 145,437

See accompanying notes to consolidated financial statements.

ALICO, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Fiscal Year Ended September 30,		
	2014	2013	2012
Cash flows from operating activities:			
Net income	\$ 8,050	\$ 19,646	\$ 18,489
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	7,880	9,675	8,429
Non-cash gains and losses	202	(35)	(288)
Magnolia fund undistributed earnings	(163)	(658)	(59)
Deferred income tax (benefit) expense, net	(845)	9,062	6,005
Deferred retirement benefits	(173)	615	89
Gain on sale of property and equipment, net	(4,369)	(20,894)	(8,800)
Asset impairments	-	-	1,918
Stock based compensation	1,256	923	458
Changes in operating assets and liabilities:			
Accounts receivable	419	(1,195)	(143)
Inventories	9,474	(2,113)	(4,917)
Accounts payable and accrued expenses	1,253	(3,727)	2,499
Income tax payable/receivable	3,401	2,014	(144)
Other	1,067	113	99
Net cash provided by operating activities	27,452	13,426	23,635
Cash flows from investing activities:			
Purchases of property and equipment	(13,108)	(18,924)	(15,921)
Acquisition of Citrus business	(16,517)	-	-
Decrease (increase) in restricted cash	-	2,500	(2,500)
(Decrease) increase in real estate deposits	-	(2,500)	2,500
Proceeds from disposals of property and equipment	14,473	24,381	18,095
Return on investment in Magnolia	3,814	1,179	4,735
Proceeds from sales of investments	-	-	732
Collections of mortgages and notes receivable	10	35	37
Net cash provided by (used in) investing activities	(11,328)	6,671	7,678
Cash flows from financing activities:			
Principal payments on notes payable	(2,000)	(3,900)	(3,279)
Borrowings on revolving line of credit	-	5,661	127,319
Repayments on revolving line of credit	-	(5,661)	(141,298)
Treasury stock purchases	(4,844)	(2,894)	(298)
Capital lease payments	(303)	-	-
Dividends paid	(2,781)	(2,048)	(1,765)
Net cash used in financing activities	(9,928)	(8,842)	(19,321)
Net increase in cash and cash equivalents	6,196	11,255	11,992
Cash and cash equivalents at beginning of period	24,583	13,328	1,336
Cash and cash equivalents at end of period	\$ 30,779	\$ 24,583	\$ 13,328
Supplemental disclosure of cash flow information:			
Cash paid for interest, net of amount capitalized	\$ 954	\$ 1,048	\$ 1,685
Cash paid for income taxes	\$ 1,177	\$ 952	\$ 5,142
Supplemental disclosure of non-cash activities:			
Capital leases for purchase of equipment	\$ 1,400	\$ -	\$ -

See accompanying notes to consolidated financial statements.

ALICO, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2014, 2013 and 2012

Note 1. Nature of Operations

Alico Inc. (“Alico”) and its wholly owned subsidiaries (collectively, the “Company”) are an agribusiness and land management company. The Company owns approximately 129,200 acres of land in seven Florida Counties (Alachua, Collier, DeSoto, Glades, Hendry, Lee and Polk); and in addition to principal lines of business in citrus groves, improved farmland land leasing, cattle ranching and conservation, and related support operations, we also receive royalties from rock mining and oil production.

Note 2. Basis of Presentation and Significant Accounting Policies

Principles of Consolidations

The audited consolidated financial statements include the accounts of Alico, Inc., and its wholly owned subsidiaries. The audited consolidated financial statements represent the consolidated balance sheets, consolidated statements of operations, consolidated statements of stockholders’ equity and comprehensive income (loss) and consolidated statements of cash flows of Alico, Inc. and its wholly-owned subsidiaries. The Company’s subsidiaries include: Alico Land Development, Inc. (“ALDI”), Agri-Insurance Company, Ltd. (“Agri-Insurance”), Alico-Agri, Ltd., Alico Plant World, LLC, Alico Fruit Company, LLC (“Alico Fruit”) (formerly Bowen Brothers Fruit Company, LLC”) and Alico Citrus Nursery, LLC. Agri-Insurance was liquidated in September 2010. All significant intercompany accounts and transactions have been eliminated in consolidation. The Company considers the criteria established under FASB ASC 810, Consolidations in its consolidation process. These audited consolidated financial statements should be read in conjunction with the notes thereto included in this Annual Report.

Reclassifications

Certain reclassifications have been made to the prior years’ consolidated financial statements to conform to the presentation. These reclassifications had no impact on working capital, net income, stockholders’ equity or cash flows as previously reported.

The Company manages its land based upon its primary usage and reviews its performance based upon three primary classifications – Citrus Groves, Improved Farmland and Ranch and Conservation. In addition, it operates an Agricultural Supply Chain Management business that is not tied directly to its land holdings and Other Operations that include leasing mines and oil extraction rights to third parties. The Company presents its financial results and the related discussions based upon these five segments (Citrus Groves, Improved Farmland, Ranch and Conservation, Agricultural Supply Chain Management and Other Operations). In the fourth quarter of fiscal year 2013, the Company changed its internal operations to align with the way it manages its business operations. As a result, the Company has realigned its financial reporting segments to match its internal operations. The Company has reclassified prior years to conform to the fiscal year 2013 presentation. None of these changes affect the Company’s previously report consolidated results. The primary change in previously reported segment results is to reclassify the former Land Leasing and Rentals segment’s revenues and expenses to the related land classifications.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates based upon future events. The Company periodically evaluates the estimates. The estimates are based on current and expected economic conditions, historical experience and various other specific assumptions that the Company believes to be reasonable.

Revenue Recognition

Revenue from agricultural crops is recognized at the time the crop is harvested and delivered to the customer. Management reviews the reasonableness of the revenue accruals quarterly based on buyers' and processors' advances to growers, cash and futures markets and experience in the industry. Adjustments are made throughout the year to these estimates as more current relevant information regarding the specific markets become available. Differences between the estimates and the final realization of revenue can be significant and can be either positive or negative. During the periods presented in this report, no material adjustments were made to the reported revenues of Alico's crops.

Alico recognizes revenue from cattle sales at the time the cattle are delivered.

Alico Fruit's operations primarily consist of providing supply chain management services to Alico, as well as to other citrus growers and processors in the State of Florida. Alico Fruit also purchases and resells citrus fruit; in these transactions, Alico Fruit (i) acts as a principal; (ii) takes title to the products; and (iii) has the risks and rewards of ownership, including the risk of loss for collection, delivery or returns. Therefore, Alico Fruit recognizes revenue based on the gross amounts due from customers for its marketing activities. Supply chain management services revenues are recognized when the services are performed.

Cash and Cash Equivalents

Cash includes cash on hand, bank demand accounts and money market accounts having original maturities at acquisition date of 90 days or less. At various times throughout the year and at September 30, 2014, some deposits held at financial institutions were in excess of federally insured limits. The Company has not experienced any losses related to these balances and believes credit risk to be minimal.

Accounts receivable

Accounts receivable are generated from the sale of citrus, cattle, leasing and other transactions. The Company provides an allowance for doubtful trade receivables equal to the estimated uncollectible amounts. That estimate is based on historical collection experience, current economic and market conditions and a review of the current status of each customer's account.

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, including cash and cash equivalents, certificates of deposit, accounts receivable, mortgages and notes receivable, accounts payable and accrued expenses approximate their fair value because of the immediate or short term nature of these assets and liabilities. The carrying amounts of long-term debt approximate fair value because the transactions are with commercial lenders at interest rates that vary with market conditions and fixed rates that approximate market rates for similar obligations (see "Note 3. Fair Value Measurements" in the Notes to Consolidated Financial Statements).

Major Customers

Revenues and receivables from the Company's major customers are as follows for the years ended September 30, 2014, 2013 and 2012:

(in thousands)	<u>Accounts Receivable</u>		<u>Revenue</u>			<u>% of Total Revenue</u>		
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
USSC	\$ 2,962	\$ 3,004	\$ 19,633	\$ 21,056	\$ 14,442	22.1%	20.7%	11.4%
Florida Orange Marketers, Inc.	\$ -	\$ -	\$ 23,826	\$ 15,689	\$ 22,219	26.9%	15.4%	17.5%
Citrusuco North America, Inc.	\$ -	\$ -	\$ 804	\$ 11,092	\$ 18,895	0.9%	10.9%	14.9%
Louis Dreyfus	\$ -	\$ -	\$ 24,135	\$ 26,246	\$ 29,344	27.2%	25.8%	23.1%
Cutrale Citrus Juice	\$ -	\$ -	\$ 3,984	\$ 6,300	\$ 13,156	4.5%	6.2%	10.3%

Real Estate

In recognizing revenue from land sales, Alico applies specific sales recognition criteria to determine when land sales revenue can be recorded. For example, in order to fully recognize a gain resulting from a real estate transaction, the sale must be consummated with a sufficient down payment of at least 20% to 25% of the sales price depending upon the type and timeframe for development of the property sold, and any receivable from the sale cannot be subject to future subordination. In addition, the seller cannot retain any material continuing involvement in the property sold. When these criteria are not met the Company recognizes gain proportionate to collections utilizing either the installment method or deposit method as appropriate.

Investments

Investments are carried at their fair value. Net unrealized investment gains and losses that are considered to be temporary are recorded net of related deferred taxes in accumulated other comprehensive income in stockholders' equity until realized. Unrealized losses determined to be other than temporary are recognized in the Statement of Comprehensive Income in the period the determination is made. The cost of all investments is determined on the specific identification method.

Inventories

The costs of growing crops are capitalized into inventory throughout the Company's crop year. Such costs are expensed when the crops are harvested and are recorded in citrus groves management and improved farmland management operating expenses in the Statement of Comprehensive Income. Inventories are stated at the lower of cost or net realizable value. The cost for unharvested citrus crops is based on accumulated production costs incurred during the period from January 1 through the balance sheet date. The cost of the beef cattle inventory is based on the accumulated cost of developing such animals for sale from July 1 through the Balance Sheet date (see "Note 5. Inventories" in the Notes to Consolidated Financial Statements).

Property, Buildings and Equipment

Property, buildings and equipment are stated at cost, net of accumulated depreciation or amortization. Major improvements are capitalized while maintenance and repairs are expensed in the period the cost is incurred. Costs related to the development of citrus groves through planting of trees are capitalized. Such costs include land clearing, excavation and construction of ditches, dikes, roads, and reservoirs, among other costs. After the planting, caretaking costs or pre-productive maintenance costs are capitalized for four years. After four years, a grove is considered to have reached maturity and the accumulated costs are depreciated over 25 years, except for land clearing and excavation, which are considered costs of land and not depreciated.

The breeding herd consists of purchased animals and animals raised on the Company's ranch. Purchased animals are stated at the cost of acquisition. The cost of animals raised on the ranch is based on the accumulated cost of developing such animals for productive use.

Real estate costs incurred for the acquisition, development and construction of real estate projects are capitalized.

Depreciation is computed using the straight-line method over the estimated useful lives of the various classes of depreciable assets.

The estimated useful life for property, buildings and equipment is as follows:

Breeding herd	6-7 years
Buildings	10-40 years
Citrus trees	25 years
Sugarcane plantings	3 years
Equipment and other facilities	3-20 years

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company records impairment losses on long-lived assets used in operations, other than goodwill, when events and circumstances indicate that the assets might be impaired and the estimated cash flows (undiscounted and without interest charges) to be generated by those assets over the remaining lives of the assets are less than the carrying amounts of those items. Our cash flow estimates are based on historical results adjusted to reflect our best estimates of future market conditions and operating conditions. The net carrying value of assets not recoverable is reduced to fair value (see "Note 7. Property, Building and Equipment, Net" in the Notes to Consolidated Financial Statements for further discussion).

Investments, Deposits and Other Non-Current Assets

Investments, deposits and other non-current assets primarily include stock owned in agricultural cooperatives and loan origination fees. Investments in stock related to agricultural co-ops and deposits are carried at cost, as are deferred loan fees related to the issuance of bank facilities, net of amortization. The Company utilized a cooperative to harvest its sugarcane. The cooperatives require members to acquire stock ownership as a condition for the use of its services. Due to the Company's cessation of sugarcane farming in May, the company expects the return of the stock value in November following the conclusion of the harvesting season.

Income Taxes

The Company follows the asset and liability method of accounting for deferred taxes. The provision for income taxes includes income taxes currently payable and those deferred as a result of temporary differences between the financial statements and tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income or loss in the period that includes the enactment date. A valuation allowance is provided to reduce deferred tax assets to the amount of future tax benefit when it is more likely than not that some portion of the deferred tax assets will not be realized. Projected future taxable income and ongoing tax planning strategies are considered and evaluated when assessing the need for a valuation allowance. Any increase or decrease in a valuation allowance could have a material adverse or beneficial impact on the Company's income tax provision and net income or loss in the period the determination is made. The Company recognizes interest and/or penalties related to income tax matters in income tax expense.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which a change in judgment occurs. The Company records interest related to unrecognized tax benefits in income tax expense.

Earnings per Share

Basic earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding for the period, including all potentially dilutive shares issuable under outstanding stock options and restricted stock unless the effect is anti-dilutive. There were no stock options outstanding at September 30, 2014, 2013 and 2012. Non-vested restricted shares entitle the holder to receive non-forfeitable dividends upon issuance and are included in the calculation of basic earnings per share.

The following table presents a reconciliation of basic to diluted weighted average shares outstanding for fiscal years ended September 30, 2014, 2013 and 2012:

(in thousands)

	Fiscal Year Ended September 30,		
	2014	2013	2012
Weighted Average Shares Outstanding - Basic	7,336	7,313	7,355
Unvested Restricted Stock Awards	18	44	-
Weighted Average Shares Outstanding - Diluted	<u>7,354</u>	<u>7,357</u>	<u>7,355</u>

Stock-Based Compensation

Stock-based compensation cost is measured based on the fair value of the award at the grant date and is typically recognized as expense on a straight-line basis over the vesting period. Upon the vesting of restricted stock, the Company issues common stock from shares held in treasury.

The 2008 Incentive Equity Plan was approved by shareholders on February 20, 2009. It provided for the issuance of up to 350,000 shares to Directors and Officers through November 2013. Effective April 1, 2013, the Board of Directors adopted the 2013 Incentive Equity Plan (the "2013 Plan") which supersedes the 2008 Plan. The 2013 Plan was approved by shareholders at the February 22, 2013 shareholders meeting. Under the terms of the 2013 Plan, 350,000 shares of the Company's common stock may be awarded to recipients. Shares issued pursuant to awards under both the 2008 Plan and the 2013 Plan, if any, must be outstanding shares which have been repurchased by the Company.

Alico measures the cost of employee services on the grant-date fair value of the award. The cost is recognized over the period during which an employee is required to provide service in exchange for the award (usually the vesting period). The grant date fair value of employee share options and similar instruments is estimated using option-pricing models adjusted for the unique characteristics of those instruments (unless observable market prices for the same or similar instruments are available).

The Company's incentive equity plans provide for grants to executives in various forms including restricted shares of the Company's common stock. Awards are discretionary and are determined by the Compensation Committee of the Board of Directors. Awards vest based upon service conditions. Non-vested restricted shares generally vest over requisite service periods of one to six years from the date of grant.

Total stock-based compensation expense recognized on the Consolidated Statements of Comprehensive Income for the three years ended September 30, 2014 in other operations and general and administrative expense was as follows:

(in thousands)

	Fiscal Year Ended September 30,		
	2014	2013	2012
Stock compensation expense:			
Executives	\$ 195	\$ 81	\$ (27)
Board of Directors	1,061	842	485
Total stock compensation expense	<u>\$ 1,256</u>	<u>\$ 923</u>	<u>\$ 458</u>

The Company is recognizing compensation cost equal to the fair value of the stock at the grant dates prorated over the vesting period of each award.

For the year ended September 30, 2014, the Company issued 24,161 shares to Directors under the 2008 and 2013 Plans at a weighted average fair value of \$37.61 per share that vested immediately. Stock-based compensation expense recognized in the Consolidated Statement of Comprehensive Income in general and administrative expense was \$1,256,000, \$923,000 and \$458,000 for the years ended September 30, 2014, 2013 and 2012. There are 311,053 shares eligible for grant under the 2013 Plan.

On May 26, 2011, the Company's Board of Directors approved the Long-Term Incentive Program as part of the 2008 Equity Incentive Plan. The Company approved the contingent award of 152,403 shares of common stock to Named Executive Officers (the "NEOs") of the Company. On May 26, 2011, 58,610 shares were granted to the NEOs other than the Chief Executive Officer ("CEO") and on April 19, 2012, 93,793 shares were awarded to the CEO under restricted stock award agreements.

All of the shares of restricted stock awarded under the Long-Term Incentive Program vested automatically upon the acquisition by 734 Investors, LLC of a controlling interest in the Company. As a result, the Company issued 152,403 shares of treasury stock in January 2014, before withholdings for income taxes. The Company has recognized \$195,000 of stock-based compensation expense related to the acceleration of vesting of these grants during fiscal year 2014. In December 2013, the Company determined that it would repurchase half of the gross shares awarded to NEOs other than the CEO totaling 58,610 shares immediately upon their issuance for the purpose of retaining treasury shares for future issuance.

No stock options were granted in fiscal 2014, 2013 or 2012.

Variable Interest and Equity Method Investments

The Company evaluates the method of accounting for investments in which it does not hold an equity interest of at least 50% based on the amount of control it exercises over the operations of the investee, exposure to losses in excess of its investment, the ability to significantly influence the investee and whether Alico is the primary beneficiary of the investee. Investments not qualifying for consolidation are accounted for under the equity method whereby the ongoing investment in the entity, consisting of its initial investment adjusted for distributions, gains and losses of the entity are classified as a single line in the balance sheet and as a non-operating item in the income statement. The Company accounts for its investment in Magnolia in accordance with the equity method (see "Note 6. Investment in Magnolia Fund" in the Notes to Consolidated Financial Statements).

Recent Accounting Pronouncement

Title	Prescribed Effective Date	Commentary
Update No. 2014-08—Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity	12/15/2015 (Q1 2015)	The Company is still evaluating the impact of the adoption of the standard will have on its results of operations and financial position.
Update No. 2014-09—Revenue from Contracts with Customers (Topic 606)	12/15/2016 (Q1 2017)	The Company is still evaluating the impact of the adoption of the standard will have on its results of operations and financial position.

Note 3. Fair Value Measurements

The Company follows the provisions of ASC 820 Fair Value Measurements and Disclosure Topic for its financial and non-financial assets and liabilities. ASC 820, among other things, defines fair value, establishes a framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. The majority of the carrying amounts of the Company's assets and liabilities including cash, certificates of deposits, accounts receivable, accounts payable and accrued expenses at September 30, 2014 and 2013, approximate fair value because of the immediate or short term maturity of these items. In the event that stated interest rates are below market, Alico discounts mortgage notes receivable to reflect their estimated fair value. The carrying amounts reported for long-term debt approximates fair value as the Company's borrowings with commercial lenders are at interest rates that vary with market conditions and fixed rates that approximate market rates for comparable loans.

ASC 820 clarifies that fair value is an exit price representing the amount that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, ASC 820 establishes a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows:

- Level 1- Observable inputs such as quoted prices in active markets;
- Level 2- Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3- Unobservable inputs in which there is little or no market data, such as internally-developed valuation models which require the reporting entity to develop its own assumptions.

There were no gains or losses included in earnings attributable to changes in unrealized gains or losses relating to assets held at 2014, 2013 and 2012.

Alico uses third party service providers to assist in the evaluation of its investments. For investment valuations, current market interest rates, quality estimates by rating agencies and valuation estimates by active market participants were used to determine values. Deferred retirement benefits were valued based on actuarial data, contracted payment schedules and an estimated discount rate of 4.7% and 4.2% at September 30, 2014 and 2013, respectively.

Note 4. Investments, deposits and other assets

Investments, deposits and other assets consist of the following:

(in thousands)

	September 30, 2014			September 30, 2013		
	Current	Non-Current	Total	Current	Non-Current	Total
Certificates of deposit	\$ 263	\$ -	\$ 263	\$ 260	\$ -	\$ 260
Loan origination fees	-	762	762	-	836	836
Stock in agricultural cooperatives	-	772	772	-	516	516
Deposits	-	34	34	-	326	326
Water permits	-	240	240	-	259	259
Other	-	125	125	-	54	54
Total	\$ 263	\$ 1,933	\$ 2,196	\$ 260	\$ 1,991	\$ 2,251

Note 5. Inventories

Inventories consist of the following at September 30, 2014 and 2013:

(in thousands)

	September 30,	
	2014	2013
Unharvested fruit crop on the trees	\$ 18,305	\$ 16,329
Unharvested sugarcane	-	11,728
Beef cattle	1,022	1,200
Other	602	146
Total Inventories	\$ 19,929	\$ 29,403

The Company records its inventory at the lower of cost or net realizable value. For the years ended September 30, 2014, 2013 and 2012, the Company did not record any adjustments to reduce inventory to net realizable value.

Note 6. Investment in Magnolia Fund

In May 2010, Alico invested \$12,150,000 to obtain a 39% limited partner equity interest in Magnolia TC 2, LLC ("Magnolia"), a Florida limited liability company whose primary business activity is acquiring tax certificates issued by various counties in the State of Florida on properties which have property tax delinquencies. In Florida, such certificates are sold at general auction based on a bid interest rate. If the property owner does not redeem such certificate within two years, which requires the payment of delinquent taxes plus the bid interest, a tax deed can be obtained by the winning bidder who can then force an auctioned sale of the property. Tax certificates hold a first priority lien position. Magnolia began the tax deed application process in July 2012 as the two year time frame on certain certificates had been reached. The tax deed application requires all other outstanding liens to be redeemed as well.

Revenue is recognized by Magnolia when the interest obligation under the tax certificates it holds becomes a fixed amount. In order to redeem a tax certificate in Florida, a minimum of 5% of the face amount of the certificate (delinquent taxes) must be paid to the certificate holder regardless of the amount of time the certificate has been outstanding.

Magnolia recognized the minimum 5% earnings on its tax certificate portfolio in fiscal 2010. Expenses of Magnolia include an acquisition fee of 1%, interest expense, a monthly management fee and other administrative costs.

The investment in Magnolia is accounted for in accordance with the equity method of accounting, whereby the Company records its 39% interest in the reported income or loss of the fund each quarter. Based on the August 31, 2014, unaudited internal financial statements of Magnolia, Alico recorded net investment income of \$163,000 for the year ended September 30, 2014. The Company recorded net investment income of \$658,000 for the year ended September 30, 2013, and \$59,000 for the year ended September 30, 2012. Magnolia made certain distributions during the year ended September 30, 2014, 2013 and 2012; the Company's share of those distributions was approximately \$3,814,000, \$1,179,000 and \$4,735,000, respectively.

Note 7. Property, Buildings and Equipment, Net

Property, buildings and equipment, net consist of the following at September 30, 2014 and 2013:

(in thousands)

	September 30,	
	2014	2013
Breeding herd	\$ 11,558	\$ 12,234
Buildings	15,220	11,587
Citrus trees	45,257	34,188
Sugarcane	-	16,199
Equipment and other facilities	50,499	47,278
Total depreciable properties	122,534	121,486
Less accumulated depreciation and depletion	(63,031)	(71,857)
Net depreciable properties	59,503	49,629
Land and land improvements	27,929	81,442
Net property, buildings and equipment	\$ 87,432	\$ 131,071

Due to the continued pressure on market prices of real estate in Florida, the Company evaluated several of its properties for impairment at September 30, 2014, 2013 and 2012. In conducting its evaluation, the Company reviewed the estimated non-discounted cash flows from each of the properties or obtained independent third party appraisals from a qualified real estate appraiser and determined there were no impairments except for \$1,918,000 in 2012 related to certain Lee County land.

Sugarcane Lease

On May 19, 2014, the Company entered into a triple net agricultural lease with its sole sugarcane customer, United States Sugar Corporation, of approximately 30,600 gross acres of land in Hendry County, Florida used for sugarcane farming which includes 19,181 acres planted or plantable to sugar. As a result of the Lease, the Company is no longer directly engaged in sugarcane farming.

The term of the Lease is ten (10) years which may be extended by either party for three (3) additional one (1) year periods, except with respect to a specific portion of the leased premises (4,561 planted or plantable acres) which has a five (5) year term which may be extended by either party for an additional year but can be terminated by the Company at any time after one (1) year.

The Lease includes various covenants, indemnities, defaults, termination rights and other provisions customary for lease transactions of this nature.

The annual base rent under the Lease is approximately \$3,548,000 is payable to the Company on or before the first day of each lease year (May 1). The Tenant is obligated to pay additional rent per net cane acre annually if the year-end average net selling price per hundred weight is greater than or equal to \$28.00. This effectively increases the rent in the event sugar prices rise in the future. During fiscal year 2014, the Company has recognized \$1,389,000 under this lease agreement, respectively.

The Lease also provided for a one-time reimbursement to the Company, at book value, for certain of our costs to develop and plant sugarcane (Property, Buildings and Equipment), cultivate and care take sugarcane (Inventory) and for the purchase of certain rolling stock (Property, Buildings and Equipment) used in our sugarcane operation. We had a combined book value of approximately \$11,100,000 in planting and caretaking costs and approximately \$2,200,000 net book value for the rolling stock. After negotiation with USSC, we agreed to a one time reimbursement of approximately \$8,800,000 in plant cane and caretaking costs and a sales price of approximately \$2,200,000 for the rolling stock. Therefore, the Company recorded a one-time charge of approximately \$2,300,000 in the quarter ended June 30, 2014 as an operating expense in the Improved Farmland segment. In addition, we also received the annual base rent payment of approximately \$3,548,000 for a total payment of approximately \$14,600,000 from USSC on July 1, 2014.

Polk County property sale

On July 1, 2014, the Company sold a 2,800 acre parcel of land in Polk County, Florida for \$5,623,000. This parcel was surplus to our operations and was classified as held for sale. This sale was part of a like-kind exchange transaction that qualifies for tax-deferral treatment in accordance with Internal Revenue Code §1031.

Acquisition of Citrus Grove

On August 8, 2014, the Company and Premiere Agricultural Properties, LLC entered into a Purchase and Sale Agreement pursuant to which the Company purchased all of the assets on a 1,241 acre citrus grove (867 net tree acres) in DeSoto County, FL for a purchase price of approximately \$16,517,000. The transaction was closed on September 23, 2014. The purchase price was funded from the Company's cash and cash equivalents and \$5,300,000 in funds from a 2014 like-kind exchange transaction in Polk County pursuant to Internal Revenue Code §1031. We acquired the citrus acres to increase the size of our citrus groves which we believe strengthens our market position.

The total cost of the acquisition was allocated to the assets acquired based on their estimated respective fair values in accordance with ASC 805, Business Combinations and was accounted for using the acquisition method of accounting.

The assets acquired in the acquisition were recorded in the quarter ended September 30, 2014. The results of operations have been included in our consolidated statements of income since September 23, 2014, the date of closing. Pro-forma operating results, as if the Company had completed the acquisition at the beginning of the periods presented, are not significant to the Company's consolidated financial statements and are not presented.

Assets acquired in the acquisition are as follows:

(in thousands)	<u>Amount</u>
Inventories	\$ 1,148
Property, Buildings and Equipment:	
Equipment and other facilities	1,834
Land	3,902
Citrus Trees	<u>9,633</u>
Total cash paid	<u>\$ 16,517</u>

Alachua County Property

In fiscal year 2013, the Company purchased 396 acres in Alachua County, Florida for \$1,175,000. The Company is currently building a citrus tree nursery on the property and will utilize the trees produced in its own operations and sell excess trees to citrus growers in the state of Florida.

Sale of Easement

In fiscal year 2013, the Company closed a warranty easement deed with the United States Department of Agriculture, through its administering agency, The Natural Resources Conservation Service, granting a conservation easement on approximately 11,600 acres located in Hendry County, FL (the "Property") for \$20,678,000. The easement agreement states the Property will be enrolled in perpetuity in the Wetlands Reserve Program designed to restore, protect and enhance the values of the wetlands and for the conservation of natural resources. The Company will retain title to the Property and the right to various recreational uses including hunting, fishing and leasing of such rights. Additionally, the Company reserves the right to subsurface resources including oil, gas, minerals and geothermal resources underlying the easement area and the right to water uses and water rights identified as reserved to us. As a result of the transaction, the Company recorded a gain of \$20,343,000 in its Statement of Comprehensive Income for the fiscal year ended September 30, 2013.

Note 8. Assets held for sale

At September 30, 2014 the assets held for sale comprised of the following:

(in thousands)

	<u>September 30,</u> <u>2014</u>
Citrus, land and land improvements	\$ 2,700
Sugarcane, land and land improvements	<u>53,981</u>
Assets held for sale	<u>\$ 56,681</u>

Purchase and Sale Agreement

On August 8, 2014, we entered into a Purchase and Sale Agreement, (the "Purchase Agreement") with Terra Land Company ("Terra") to sell approximately 30,959 gross acres of land located in Hendry County, Florida used for sugarcane production for a base purchase price of \$91,436,000. The base purchase price was subject to a valuation adjustment in the event that either the net farmable acres or net support acres of the land were more or less than the amounts in the Purchase Agreement by one percent (1%) or greater.

On November 21, 2014, via various amendments to the Purchase Agreement, we completed the sale to Global Ag Properties USA LLC of approximately 36,000 gross acres of land located in Henry County, Florida used for sugarcane production for a purchase price of \$97,900,000 pursuant to the Purchase and Sale Agreement dated August 8, 2014. Global is a wholly-owned subsidiary of Terra. We have also assigned our interest in the USSC Lease to Global in conjunction with the sale. The parties have made customary representations, warranties, covenants and agreements in the Purchase Agreement.

As a result of the disposition of our sugarcane land, we are no longer involved in sugarcane and, as of November 21, 2014 the Improved Farmland segment was no longer material to our business.

Our sugarcane land has been classified as assets held for sale as of September 30, 2014, however the sugarcane operation has not been classified as a discontinued operation due to the Company's continuing involvement and continuing cash outflows in the operation pursuant to a Post-Closing Agreement in association with the Global land sale.

Note 9. Accrued Expenses

Accrued expenses consist of the following at September 30, 2014 and 2013:

(in thousands)

	September 30,	
	2014	2013
Accrued employee wages and benefits	\$ 442	\$ 687
Accrued interest	270	307
Current portion of retirement benefits payable	342	342
Inventory received but not invoiced	197	885
Other	367	133
	<hr/>	<hr/>
Total accrued expenses	\$ 1,618	\$ 2,354

Note 10. Other Current Liabilities

Other current liabilities consist of the following at September 30, 2014 and 2013:

(in thousands)

	September 30,	
	2014	2013
Deposits - Farm land leases	\$ 2,641	\$ 481
Deposits - Recreation land leases	572	621
Deposits - Other	14	40
Capital Lease	258	-
	<hr/>	<hr/>
Total other current liabilities	\$ 3,485	\$ 1,142

Note 11. Long-Term Debt

Outstanding debt under the Company's various loan agreements is presented in the table below:

(in thousands)	Revolving Line of Credit	Term Loan	Total Credit Facility
September 30, 2014			
Principal balance outstanding	\$ -	\$ 34,000	\$ 34,000
Remaining available credit	\$ 60,000	\$ -	\$ 60,000
Effective interest rate	2.10%	2.40%	
Scheduled maturity date	October 2020	October 2020	
Collateral	Real Estate	Real Estate	
September 30, 2013			
Principal balance outstanding	\$ -	\$ 36,000	\$ 36,000
Remaining available credit	\$ 60,000	\$ -	\$ 60,000
Effective interest rate	2.43%	2.68%	
Scheduled maturity date	October 2020	October 2020	
Collateral	Real Estate	Real Estate	

The Company has a revolving line of credit ("RLOC") and term loan with Rabo AgriFinance, Inc. ("Rabo") totaling \$94,000,000. The revolving line of credit and term note are collateralized by 43,991 acres of farmland and 12,280 acres of additional property containing approximately 8,600 acres of producing citrus groves.

The Rabo credit facility was amended effective July 1, 2014. Terms as amended are summarized below.

The term loan requires quarterly payments of interest at a floating rate of one month LIBOR plus 225 basis points. On July 15, 2016 and every two years thereafter, Rabo may adjust the interest rate to a maximum spread of LIBOR plus 5%. Rabo must provide a 30 day notice of the new spread. The Company has the right to prepay the outstanding balance without penalty. It also requires quarterly principal payments of \$500,000 through October 1, 2020 when the remaining principal balance and accrued interest will be due and payable.

The Rabo credit facility includes a ten year \$60,000,000 RLOC bearing interest at a floating rate on the outstanding balance payable quarterly beginning October 1, 2010. Thereafter, quarterly interest is payable on the first day of January, April, July and October until the revolving line of credit matures on October 1, 2020 and the remaining principal balance and accrued interest shall be due and payable. Proceeds from the revolving line of credit may be used for general corporate purposes including: (i) the normal operating needs of Alico and its operating divisions, (ii) the purchase of capital assets; and (iii) the payment of dividends.

The interest rate on the RLOC is based on the one month LIBOR plus a spread. The spread is determined based upon our debt service coverage ratio for the preceding fiscal year and can vary from 195 to 295 basis points. The rate is currently at LIBOR plus 195 basis points. On July 1, 2015 and every two years thereafter, Rabo may adjust the interest rate spread, and the spread adjustment on the RLOC is not limited. Rabo must provide a 30 day notice of the new spread. The Company has the right to prepay the outstanding balance without penalty.

The RLOC is subject to an unused commitment fee of 20 basis points on the annual average unused portion of the RLOC.

Loan origination fees incurred as a result of entry into the Rabo credit facility loan agreement, including appraisal fees, document stamps, legal fees and lender fees of approximately \$1,202,000 were capitalized in fiscal year 2010 and are being amortized over the term of the loan agreement.

At September 30, 2014, and 2013, the Company was in compliance with the financial debt covenants and terms of the Rabo loan agreement. The Rabo credit facility contains the following significant covenants: (i) minimum current ratio of 1.50:1, (ii) debt to assets ratio no greater than 60%, (iii) tangible net worth of at least \$80,000,000, and (iv) minimum debt coverage of 1.15:1.

The Company uses a cash management program with Rabobank designed to minimize the outstanding balance on the RLOC. Our various Rabobank accounts are swept daily into a concentration account. Funds in excess of a target balance are automatically applied to pay down the RLOC, if there is an outstanding balance.

Maturities of the Company's debt were as follows at September 30, 2014:

(in thousands)

Due within one year	\$	2,000
Due between one and two years		2,000
Due between two and three years		2,000
Due between three and four years		2,000
Due between four and five years		2,000
Due beyond five years		<u>24,000</u>
Total	\$	<u><u>34,000</u></u>

Interest costs expensed and capitalized to property, buildings and equipment were as follows:

(in thousands)

	Fiscal Year Ended September 30,		
	2014	2013	2012
Interest expense	\$ 969	\$ 1,257	\$ 1,616
Interest capitalized	204	79	100
Total	\$ 1,173	\$ 1,336	\$ 1,716

Note 12. Treasury Stock

Effective November 1, 2008, the Company's Board of Directors authorized the repurchase of up to 350,000 shares of the Company's common stock through November 2013 for the purpose of funding awards under its 2008 Incentive Equity Plan. In September 2013, the Board of Directors authorized the repurchase of up to 105,000 shares of the Company's common stock beginning in November 2013 and continuing through April 2018. The stock repurchases began in November 2008 and were made on a quarterly basis through open market transactions at times and in such amounts as the Company's broker determined subject to the provisions of SEC Rule 10b-18. The following table illustrates the Company's treasury stock purchases for the years ended September 30, 2014, 2013 and 2012:

(in thousands, except share amounts and per share amounts)

	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid Per Share</u>	<u>Total Shares Purchased as Part of Publicly Announced Plan or Program</u>	<u>Total Dollar Value of Shares Purchased</u>
Fiscal Year Ended September 30,:				
2014	118,792	\$ 40.78	375,995	\$ 4,844
2013	75,887	\$ 38.14	257,203	\$ 2,894
2012	12,332	\$ 24.12	181,316	\$ 298

The following table outlines the Company's treasury stock transactions during the past three fiscal years:

(in thousands, except share amounts)

	<u>Shares</u>	<u>Cost</u>
Balance at September 30, 2011	34,593	\$ 862
Purchased	12,332	298
Issued to Directors	(23,690)	(617)
Balance at September 30, 2012	23,235	543
Purchased	75,887	2,894
Issued to Employees and Directors	(25,584)	(621)
Balance at September 30, 2013	73,538	2,816
Purchased	118,792	4,844
Issued to Employees and Directors	(176,564)	(7,010)
Balance at September 30, 2014	15,766	\$ 650

Note 13. Income Taxes

The provision for income tax (benefit) for the years ended September 30, 2014, 2013 and 2012 consists of the following:

(in thousands)

	Fiscal Year Ended September 30,		
	2014	2013	2012
Current:			
Federal income tax	\$ 4,035	\$ 2,508	\$ 3,696
State income tax	543	458	1,298
Total current	4,578	2,966	4,994
Deferred:			
Federal income tax	(590)	7,921	5,617
State income tax	(255)	1,142	362
Total deferred	(845)	9,063	5,979
Total provision for income taxes	\$ 3,733	\$ 12,029	\$ 10,973

Income tax provision (benefit) attributable to income from continuing operations differed from the amount computed by applying the statutory federal income tax rate of 35% to pre-tax income as a result of the following:

(in thousands)

	Fiscal Year Ended September 30,		
	2014	2013	2012
Tax at the statutory federal rate	\$ 4,099	\$ 11,086	\$ 10,312
Increase (decrease) resulting from:			
State income taxes, net of federal benefit	183	1,067	1,051
Federal impacts from IRS exam and tax return amendments	-	19	(444)
Permanent and other reconciling items, net	(549)	(143)	54
Total provision for income taxes	\$ 3,733	\$ 12,029	\$ 10,973

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of September 30, 2014 and 2013 are presented below:

(in thousands)

	September 30,	
	2014	2013
Deferred tax assets:		
Deferred retirement benefits	\$ 1,619	\$ 1,686
Inventories	95	144
Restricted stock compensation	-	31
Alico-Agri, Ltd. outside basis differences	3,196	3,196
Capital loss carry forward	10,492	10,502
Other	1,118	159
Total deferred tax assets	<u>16,520</u>	<u>15,718</u>
Deferred tax liabilities:		
Revenue recognized from citrus and sugarcane	99	302
Property and Equipment	21,535	21,550
Investment in Magnolia	415	450
Other	210	-
Total deferred tax liabilities	<u>22,259</u>	<u>22,302</u>
Net deferred income tax (liability)	<u>\$ (5,739)</u>	<u>\$ (6,584)</u>

The Company applies a “more likely than not” threshold to the recognition and non-recognition of tax positions. A change in judgment related to prior years’ tax positions is recognized in the quarter of such change. The Company had no reserve for uncertain tax positions at September 30, 2014 or September 30, 2013. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense and in the liability for uncertain tax positions.

On May 16, 2012, the Company reached a settlement with the IRS related to its examination of the returns of Alico, Agri-Insurance, Ltd., (a former subsidiary of the Company) and Alico-Agri for the tax years 2005 through 2007. As a result of the settlement, the Company paid Federal taxes of \$613,000 and interest of \$225,000. On October 9, 2012, the Company paid the State of Florida \$318,000 for taxes and \$5,000 for interest as a result of the IRS settlement. The Company accrued \$149,000 at September 30, 2012, for additional state interest and penalties. The actual amount paid was \$135,000 for state interest. No amount was due for state penalties, and the remaining accrual was reversed during the second quarter of fiscal year 2013.

Note 14. Related Party Transactions

Change in Control Transaction

On November 19, 2013, 734 Agriculture, LLC (“734 Agriculture”) and its affiliates, including 734 Investors, LLC (“734 Investors”), completed the previously announced purchase from Alico Holding, LLC, a company wholly owned by Atlantic Blue Group, Inc. (“Atlanticblue”), of 3,725,457 shares of our common stock (the “Share Purchase”).

The common stock acquired by 734 Agriculture and its affiliates, including 734 Investors, represents approximately 51% of the Company’s outstanding voting securities. On November 15, 2013, 734 Investors amended and restated its LLC operating agreement (the “LLC Agreement”) to admit new members and to designate 734 Agriculture as the managing member, with authority to administer the affairs of 734 Investors, including the voting and disposition of shares of common stock, subject to certain restrictions set forth therein.

As a result, upon the consummation of the Share Purchase, 734 Agriculture and its affiliates, including 734 Investors, acquired the voting power to control the election of the Company's Directors and any other matter requiring the affirmative vote or consent of the Company's shareholders.

Appointment of Directors; Resignation of Directors

With the Closing of the Share Purchase, the previously announced election of the following individuals to the Board of Directors became effective: Mr. George R. Brokaw, Member of 734 Agriculture; Remy W. Trafelet, Manager of 734 Agriculture; W. Andrew Krusen, Jr., Chairman and CEO of Dominion Financial Group; Benjamin D. Fishman, Managing Principal of Arlon Group; Henry R. Slack, former Chairman of the Board of Terra Industries, Inc. and Senior Partner of Quarterwatch, LLC; Clayton G. Wilson, former CEO of 734 Citrus Holdings, LLC d/b/a Silver Nip Citrus ("Silver Nip") and Chairman of the Board of Latt Maxcy Corporation; and R. Greg Eisner, Head of Strategy of Dubin & Company, LLC.

Ramon A. Rodriguez remained on, and continues to serve as a member, of the Board of Directors. In addition, Adam D. Compton, who previously resigned subject to and effective upon the Closing of the Share Purchase, was re-elected to the Board of Directors on November 22, 2013.

Upon the Closing of the Share Purchase, the following individuals ceased to be Directors of the Company pursuant to their previously disclosed resignations: JD Alexander, Dykes Everett, Thomas H. McAuley, Charles L. Palmer, John D. Rood, and Gordon Walker, PhD. Mr. Robert J. Viguet, Jr. resigned from the Board on November 21, 2013.

Appointment of Mr. Wilson as the Company's Chief Executive Officer

Upon the Closing of the Share Purchase, Mr. Alexander ceased to be the Company's CEO pursuant to his previously disclosed resignation. On November 22, 2013, the Board appointed Mr. Wilson to serve as the CEO, effective immediately.

734 Investors and 734 Agriculture

On November 19, 2013, 734 Agriculture and its affiliates, including 734 Investors, acquired all of the approximately 51% of Alico's common stock then owned by Atlanticblue. 734 Investors now beneficially owns, directly or indirectly, approximately 51% of the outstanding shares of the Company's common stock and possesses the voting power to control the election of the Company's Directors and any other matter requiring the affirmative vote or consent of the Company's shareholders. 734 Agriculture is the sole managing member of 734 Investors. By virtue of their ownership percentage, 734 Investors and 734 Agriculture are able to elect all of the Directors and, consequently, control Alico. Messrs. Brokaw and Trafelet are the two controlling persons of 734 Agriculture.

734 Citrus Holdings, LLC, d/b/a Silver Nip

On November 22, 2013, the Company entered into an employee lease agreement with Mr. Wilson and Silver Nip (the "Silver Nip Agreement"). Silver Nip is owned and controlled by Messrs. Brokaw, Trafelet and Wilson.

The Silver Nip Agreement provides, subject to the terms and conditions set forth therein, for the Company to furnish Mr. Wilson's services to Silver Nip to perform the functions and services that Mr. Wilson has previously performed for Silver Nip prior to his resignation as CEO of Silver Nip. The Silver Nip Agreement provides that Mr. Wilson will spend a majority of his working time performing functions and services for the Company and that in no event will Mr. Wilson be required to take any action that he or the Company determines could conflict with Mr. Wilson's exercise of his fiduciary duties under applicable law owed to the Company or could interfere with the performance of his duties as an executive officer of the Company. In exchange for furnishing Mr. Wilson's services, Silver Nip has agreed to pay to the Company the cash salary that would have been paid to Mr. Wilson pursuant to his previous employment arrangement with Silver Nip, had that arrangement continued to be in force.

The Silver Nip Agreement provides that if neither the Company nor Silver Nip has provided the other with written notice of an intention to terminate the Silver Nip Agreement at least three business days before the month's end (or any subsequent renewal period), the Silver Nip Agreement will automatically renew for a one-month period.

In addition, Silver Nip may terminate the Silver Nip Agreement at any time upon 10 business days' prior written notice to the Company. As of September 30, 2014 neither the Company nor Silver Nip has provided written notice to terminate the Silver Nip Agreement. The description of the Silver Nip Agreement is qualified in its entirety by reference to the complete terms and conditions of the agreement, which is listed as an exhibit to the Company's Current Report on Form 8-K filed on November 25, 2013. In the fiscal year ended September 30, 2014, the Company has received \$128,000 under this agreement.

Atlanticblue

Prior to the Share Purchase transaction on November 19, 2013, Atlanticblue owned approximately 51% of Alico's common stock. By virtue of its ownership percentage, Atlanticblue was able to elect all of the Directors and, consequently, control Alico. JD Alexander resigned March 31, 2012 as the President and Chief Executive Officer of Atlanticblue and did not stand for re-election as a Director at the June 2012 Atlanticblue shareholders meeting. In February 2010, JD Alexander was appointed Alico's President and Chief Executive Officer, and he served on Alico's Board of Directors. Robert J. Viguier, Jr., a former Alico Director, did not stand for re-election as a Director of Atlanticblue at its June 2012 shareholders meeting. Dykes Everett was elected to the Alico Board of Directors at Alico's February 2013 shareholders meeting; he was nominated by Atlanticblue.

Alico Fruit Company ("Alico Fruit") marketed citrus fruit for TRI-County Grove, LLC at the customary terms and rates the Company extends to third parties. During the three and nine months ended June 30, 2013, Alico Fruit marketed 55,948 and 201,802 boxes of fruit, for approximately \$600,000 and \$1,907,000, respectively. Alico Fruit no longer provides marketing and/or purchases citrus fruit from TRI-County Grove, LLC, a wholly owned subsidiary of Atlanticblue.

JD Alexander

On November 6, 2013, JD Alexander tendered his resignation as Chief Executive Officer and as an employee of the Company, subject to and effective immediately after the Closing of the Share Purchase transaction on November 19, 2013. Mr. Alexander's resignation includes a waiver of any rights to any payments under his Change-in-Control Agreement with the Company. On November 6, 2013, the Company and Mr. Alexander also entered into a Consulting and Non-Competition Agreement under which (i) Mr. Alexander will provide consulting services to the Company during the two-year period after the Closing, (ii) Mr. Alexander agreed to be bound by certain non-competition covenants relating to the Company's citrus operations and non-solicitation and non-interference covenants for a period of two years after the Closing, and (iii) the Company will pay Mr. Alexander for such services and covenants \$2,000,000 in twenty-four monthly installments. Mr. Alexander also agreed, in a separate side letter with the Company, not to sell or transfer the shares that were awarded pursuant to his Restricted Stock Award Agreement (other than to a family trust) for a period of two years after the Closing. Mr. Alexander also executed a general release in favor of the Company.

Other

Mr. Charles Palmer, who served as a member of the Board until his resignation became effective on November 19, 2013, leases approximately 2,300 acres from the Company for recreational purposes. He pays approximately \$33,000 annually at the customary terms and rates the Company extends to third parties.

Note 15. Employee Benefits Plans

Management Security Plan

The management security plan ("MSP") is a nonqualified, noncontributory defined supplemental deferred retirement benefit plan for a select group of management personnel. The MSP plan provides a fixed supplemental retirement benefit for 180 months certain. The MSP is frozen; no new participants are being added and no benefit increases are being granted. The MSP benefit expense and the projected management security plan benefit obligation are determined using assumptions as of the end of the year. The weighted-average discount rate used to compute the obligation was 4.7% and 4.2% in 2014 and 2013, respectively.

During fiscal year 2012, the Company changed its approach in determining the discount rate from the Pension Benefit Guaranty Corp rate which was used during fiscal year 2011, to the Moody's Corporate Bond Curve (Moody's). Management believes that the Moody's rate is a more appropriate estimate of the settlement of the pension benefits. The effect of this change was not significant to net income and earnings per share.

Actuarial gains or losses are recognized when incurred, therefore; the end of year benefit obligation is the same as the accrued benefit costs recognized in the consolidated balance sheet.

The amount of MSP benefit expense charged to costs and expenses was as follows:

<i>(in thousands)</i>	Fiscal Year Ended September 30,		
	2014	2013	2012
Service cost	195	221	251
Interest cost	(23)	368	178
Recognized actuarial loss adjustment	-	-	2
Total	172	589	431

The following provides a roll-forward of the MSP benefit obligation.

<i>(in thousands)</i>	2014	2013
Change in projected benefit obligation:		
Benefit obligation at beginning of year	\$ 4,371	\$ 4,098
Service cost	195	221
Interest cost	(23)	368
Recognized actuarial loss adjustment	-	-
Benefits paid	(345)	(316)
Benefit obligation at end of year	<u>\$ 4,198</u>	<u>\$ 4,371</u>
Funded status at end of year	\$ (4,198)	\$ (4,371)

The MSP is unfunded and benefits are paid as they become due. The estimated future benefit payments under the plan for each of the five succeeding years are approximately \$352,000, \$367,000, \$348,000, \$365,000 and \$171,000 and for the five-year period thereafter an aggregate of \$1,190,000.

The Company has established a "Rabbi Trust" to provide for the funding of accrued benefits under the MSP. According to the terms of the Rabbi Trust, funding is voluntary until a change of control of the Company as defined in the Management Security Plan Trust Agreement occurs. Upon a change of control, funding is triggered. As of September 30, 2013, the Rabbi Trust had no assets, and no change of control had occurred.

Profit Sharing and 401(k)

The Company maintains a 401(k) employee savings plan for eligible employees, which provides for a 4% matching contribution on employee payroll deferrals. The Company's matching funds vest to the employee immediately, pursuant to a safe harbor election effective in October 2012. The Company's contribution to the plan was approximately \$192,000, \$157,000 and \$81,000 for the fiscal years 2014, 2013 and 2012, respectively.

The Profit Sharing Plan (“Plan”) is fully funded by contributions from the Company. Contributions to the Plan are discretionary and determined annually by the Company’s Board of Directors. Contributions to employee accounts are based on the participant’s compensation. The Company’s contribution to the Profit Sharing Plan was \$165,000, \$210,000 and \$245,000 for the years ended September 30, 2014, 2013 and 2012, respectively.

Note 16. Segment Information

Segments

The Company manages its land based upon its primary usage and reviews its performance based upon three primary classifications – Citrus Groves, Improved Farmland and Ranch and Conservation. In addition, it operates an Agricultural Supply Chain Management business that is not tied directly to its land holdings and Other Operations that include a citrus nursery, leasing mines and oil extraction rights to third parties. The Company presents its financial results and the related discussions based upon these five segments (Citrus Groves, Improved Farmland, Ranch and Conservation, Agricultural Supply Chain Management and Other Operations). In the fourth quarter of fiscal year 2013, the Company changed its internal operations to align with the way it manages its business operations. As a result, the Company has realigned its financial reporting segments to match its internal operations. The Company has reclassified prior years to conform to the fiscal year 2013 presentation. None of these changes affect the Company’s previously report consolidated results. The primary change in previously reported segment results is to reclassify the former Land Leasing and Rentals segment’s revenues and expenses to the related land classifications. A description of the Company’s business segments is as follows:

- Citrus Groves include activities related to planting, owning, cultivating and/or managing citrus groves in order to produce fruit for sale to fresh and processed citrus markets.
- Agricultural Supply Chain Management and Support includes activities related to the purchase and resale of fruit, as well as, to value-added services which include contracting for the harvesting, marketing and hauling of citrus.
- Improved Farmland includes activities related to owning and/or leasing improved farmland. Improved farmland is acreage that has been converted, or is permitted to be converted, from native pasture and which has various improvements including irrigation, drainage and roads.
- Ranch and Conservation includes activities related to cattle grazing, sod, native plant and animal sales, leasing, management and/or conservation of unimproved native pasture land.
- Other Operations include activities related to rock mining royalties, oil exploration, a citrus nursery and other insignificant lines of business.

Intersegment sales and transfers are accounted by the Company as if the sales or transfers were to third parties at current market prices. Goods and services produced by these segments are sold to wholesalers and processors in the United States who prepare the products for consumption. The Company evaluates the segments performance based on direct margins from operations before general and administrative costs, interest expense and income taxes not including nonrecurring gains and losses.

The accounting policies of the segments are the same as those described in “Note 2. Basis of Presentation and Summary of Significant Accounting Policies.” Total revenues represent sales to unaffiliated customers, as reported in the Company’s Consolidated Statements of Operations. All intercompany transactions have been eliminated.

Information by business segment is as follows:

(in thousands)

	Fiscal Year Ended September 30,		
	2014	2013	2012
Revenues:			
Citrus Groves	\$ 47,069	\$ 43,689	\$ 55,423
Agricultural Supply Chain Management	12,376	28,412	48,334
Improved Farmland	20,429	21,917	15,316
Ranch and Conservation	8,172	6,755	7,348
Other Operations	634	888	766
Intersegment Revenues	9,621	10,981	11,820
Eliminations	(9,621)	(10,981)	(11,820)
Total revenue	88,680	101,661	127,187
Operating expenses:			
Citrus Groves	30,213	31,533	30,995
Agricultural Supply Chain Management	12,317	27,949	47,693
Improved Farmland	21,356	16,202	11,574
Ranch and Conservation	4,330	3,798	3,497
Other Operations	374	505	1,196
Total operating expenses	68,590	79,987	94,955
Gross profit:			
Citrus Groves	16,856	12,156	24,428
Agricultural Supply Chain Management	59	463	641
Improved Farmland	(927)	5,715	3,742
Ranch and Conservation	3,842	2,957	3,851
Other Operations	260	383	(430)
Total gross profit	\$ 20,090	\$ 21,674	\$ 32,232
Capital expenditures:			
Citrus Groves	\$ 7,462	\$ 3,942	\$ 1,562
Agricultural Supply Chain Management	1,615	81	388
Improved Farmland	3,696	9,468	10,482
Ranch and Conservation	1,413	3,475	741
Other Operations	37	27	-
Other capital expenditures	285	1,931	2,748
Total capital expenditures	\$ 14,508	\$ 18,924	\$ 15,921
Depreciation, depletion and amortization:			
Citrus Groves	\$ 2,132	\$ 2,114	\$ 2,088
Agricultural Supply Chain Management	164	169	223
Improved Farmland	3,320	5,131	4,051
Ranch and Conservation	1,330	1,250	992
Other Operations	743	347	427
Other depreciation, depletion and amortization	191	664	648
Total depreciation, depletion and amortization	\$ 7,880	\$ 9,675	\$ 8,429

(a) Other Operations includes the former Real Estate segment as well as other operations.

(in thousands)

	<u>September 30,</u>	
	<u>2014</u>	<u>2013</u>
Assets:		
Citrus Groves	\$ 67,388	\$ 52,592
Agricultural Supply Chain Management	2,498	994
Improved Farmland	57,726	75,348
Ranch and Conservation	13,920	14,696
Other Operations	26,356	15,094
Other Corporate Assets	35,679	40,116
	<hr/>	<hr/>
Total Assets	<u>\$ 203,567</u>	<u>\$ 198,840</u>

Other operations include the former real estate segment. During the fourth quarter of fiscal year 2012, management changed its business strategy in regards to Alico Land Development Co., which operated the real estate segment.

Note 17. Commitments and Contingencies

Operating Leases

The Company has obligations under various non-cancelable long-term operating leases for equipment. In addition, the Company has various obligations under other equipment leases of less than one year.

Total rent expense was approximately \$2,015,000, \$1,182,000 and \$1,256,000 for the years ended September 30, 2014, 2013 and 2012, respectively.

The future minimum rental payments under non-cancelable operating leases are as follows:

(in thousands)

2015	\$ 578
2016	529
2017	124
2018	-
2019	-
	<hr/>
Total	<u>\$ 1,231</u>

Change in Control Agreements

The Company has entered into Change in Control Agreements ("CIC Agreements") with its executive officers and 22 other key employees ("CIC Recipients"). The CIC Agreements provide for cash payments to CIC Recipients in the event of a change in control as defined in the CIC Agreements followed by the termination of a CIC Recipient within 18 months of the change in control. The total payments required by CIC Agreements are \$2,504,000 for executive officers and \$1,417,000 for other key employees (see "Note 19. Subsequent Events" in the Notes to Consolidated Financial Statements).

Letters of Credit

The Company has retained certain self-insurance risks with respect to losses for workers' compensation and has standby letters of credit in the total amount of \$254,000 for the year ended September 30, 2014 and \$200,000 for the year ended September 30, 2013, to secure its insurance obligations.

Note 18. Selected Quarterly Financial Data (unaudited)

Summarized quarterly financial data (in thousands except for per share amounts) for the fiscal years ended September 30, 2014 and 2013 were as follows:

(in thousands)

	Fiscal Quarter Ended							
	December 31,		March 31,		June 30,		September 30,	
	2013	2012	2014	2013	2014	2013	2014	2013
Total operating revenue	\$ 14,989	\$ 21,356	\$ 37,475	\$ 38,410	\$ 28,675	\$ 35,229	\$ 7,541	\$ 6,666
Total operating expenses	12,152	17,570	27,616	31,396	24,416	26,164	4,406	4,857
Gross profit	2,837	3,786	9,859	7,014	4,259	9,065	3,135	1,809
Corporate, general and administrative	3,827	1,808	2,486	2,464	2,097	2,253	3,824	3,214
Other (expense) income	(261)	(304)	(311)	23	(252)	(167)	4,751	20,188
Income (loss) before income taxes	(1,251)	1,674	7,062	4,573	1,910	6,645	4,062	18,783
Income tax expense (benefit)	(547)	636	2,992	1,800	791	2,566	497	7,027
Net (loss) income	\$ (704)	\$ 1,038	\$ 4,070	\$ 2,773	\$ 1,119	\$ 4,079	\$ 3,565	\$ 11,756
Earnings per share:								
Basic	\$ (0.10)	\$ 0.14	\$ 0.55	\$ 0.38	\$ 0.15	\$ 0.56	\$ 0.50	\$ 1.61
Diluted	\$ (0.10)	\$ 0.14	\$ 0.55	\$ 0.38	\$ 0.15	\$ 0.55	\$ 0.49	\$ 1.60

During fiscal year 2013, the Company recorded a gain on the sale of a Conservation Easement on 11,600 acres of property in Hendry County totaling \$20,343,000.

Note 19. Subsequent Events

Sugarcane Disposition

On May 19, 2014, we entered into a triple net agricultural lease (the "USSC Lease") with our sole sugarcane customer, United States Sugar Corporation ("USSC"), of approximately 30,600 gross acres of land in Hendry County, Florida historically used for sugarcane farming. As a result of this lease we were no longer directly engaged in sugarcane farming as of May 19, 2014.

On November 21, 2014, we sold approximately 36,000 acres of sugarcane land to Global Ag Properties USA LLC ("Global"), including the land leased to USSC above, for approximately \$97,900,000 in cash and assigned the USSC Lease to the purchaser. As result of this disposition, we are no longer involved in sugarcane, and the Improved Farmland segment is no longer material to our business. The proceeds from the sale were reinvested on December 2, 2014 (see *Orange-Co Acquisition*) via a tax deferred like-kind exchange pursuant to Internal Revenue Code Section §1031.

Orange-Co Acquisition

On December 2, 2014, we completed the acquisition of certain citrus and related assets of Orange-Co, LP ("Orange-Co") pursuant to an Asset Purchase Agreement (the "Orange-Co Purchase Agreement"), dated as of December 1, 2014. The assets we purchased include approximately 20,263 acres of citrus groves in DeSoto and Charlotte counties, Florida, which comprises one of the largest contiguous citrus grove properties in the state of Florida. The purchase price was approximately \$274,000,000 including: (1) \$147,500,000 in initial cash consideration, subject to adjustment as set forth in the Orange-Co Purchase Agreement; (2) up to \$7,500,000 in additional cash consideration to be released from escrow in equal parts, subject to certain limitations, on the 12- and 18-month anniversaries of the Closing Date; (3) the assumption and refinancing of Orange-Co's outstanding debt including approximately \$91,200,000 in term debt and a working capital facility of approximately \$27,800,000; and (4) the assumption of certain other liabilities. On the Closing Date, the Company deposited an irrevocable standby letter of credit issued by Rabo Agrifinance, Inc. ("Rabo") in the aggregate amount of \$7,500,000 into an escrow account to fund the additional cash consideration.

We concurrently entered into arrangements to finance the Orange-Co acquisition as follows:

Metlife Credit Agreement

We entered into a First Amended and Restated Credit Agreement with Metropolitan Life Insurance Company and New England Life Insurance Company under which they provided term loans in the aggregate principal amount of \$182,500,000 and \$25,000,000 in revolving credit commitments.

The Metlife Agreement amends and restates existing credit facilities, dated as of September 8, 2010 (as amended from time to time, the "Prior Credit Agreement") between the Company and Rabo. Under the Prior Credit Agreement, we had a term loan in the initial principal amount of \$40,000,000, of which \$33,500,000 was outstanding at the date of refinancing and \$60,000,000 in undrawn revolving credit commitments.

Rabo Credit Agreement

We entered into a Credit Agreement with Rabo under which they have provided a \$70,000,000 revolving working capital line of credit for the Company.

Silver Nip Merger Agreement

On December 2, 2014, we entered into an Agreement and Plan of Merger (the “Merger Agreement”) with 734 Sub, LLC, a wholly owned subsidiary of the Company (“Merger Sub”), 734 Citrus Holdings, LLC (“Silver Nip Citrus”) and, solely with respect to certain sections thereof, the equity holders of Silver Nip Citrus. The Merger Agreement provides that, upon the terms and subject to the conditions set forth therein, Merger Sub will merge with and into Silver Nip Citrus (the “Merger”), with Silver Nip Citrus surviving the Merger as a wholly owned subsidiary of the Company. Subject to the terms and conditions set forth in the Merger Agreement, the Company will issue shares of the Company’s common stock to the equity holders of Silver Nip Citrus as follows:

- at the effective time of the Merger, up to 1,463,544 shares of Common Stock, subject to certain adjustments set forth in the Merger Agreement for Silver Nip Citrus’s net indebtedness at the closing of the Merger, amounts related to certain groves specified in the Merger Agreement, certain Silver Nip Citrus transaction expenses and the trading price of the Common Stock; and
- thirty (30) days after the end of Silver Nip Citrus’s 2014-2015 citrus harvest season, an additional amount of shares of Common Stock, with the number of shares issued to be based on the net proceeds received by the Company from the sale of citrus fruit harvested on certain Silver Nip Citrus groves after the closing of the Merger, subject to certain adjustments set forth in the Merger Agreement for the cost to harvest the citrus fruit and the trading price of the Common Stock.

Completion of the Merger is conditioned, among other things, on: (1) approval of the Stock Issuance by a majority of the holders of the Company’s common stock voting at a special meeting or acting by written consent to approve the Stock Issuance and, if such approval is obtained through action by written consent, the expiration of a twenty (20)-day waiting period after the date an information statement of the Company prepared in accordance with Regulation 14C of the Exchange Act and such information statement, is delivered to the Company’s shareholders; (2) receipt of a final appraisal of the Silver Nip Citrus groves; (3) receipt of certain third-party consents; (4) completion of an audit of Silver Nip Citrus’s 2014 consolidated financials and receipt of an unqualified audit opinion; (5) material compliance by the other party with all of its obligations under the Merger Agreement; and (6) subject to certain exceptions, the accuracy of the representations and warranties of the other party subject to a material adverse effect standard (as defined in the Merger Agreement).

734 Investors, LLC (“734 Investors”), the Company’s majority shareholder, will seek the consent of a majority of its disinterested members to direct 734 Investors to approve the Stock Issuance by a written consent of its shares of Common Stock.

Water Storage Contract Approval

In December 2012, the South Florida Water Management District (“SFWMD”) issued a solicitation request for projects to be considered for the Northern Everglades Payment for Environmental Services Program. In March 2013, the Company submitted its response proposing a dispersed water management project on its ranch land.

On December 11, 2014, the SFWMD approved a contract, based on the submitted response, with the Company. The contract term is eleven years and allows up to one year for implementation (design, permitting, construction and construction completion certification) and ten years of operation whereby the Company will provide water retention services. Payment for these services includes an amount not to exceed \$4,000,000 of reimbursement for implementation. In addition it provides for an annual fixed payment of \$12,000,000 for operations and maintenance costs as long as the project is in compliance with the contract and subject to annual SFWMD Governing Board (“Board”) approval of funding. The contract specifies that the Board has to approve the payments annually and there can be no assurance that it will approve the annual fixed payments.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures.

Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the our disclosure controls and procedures as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, (the "Exchange Act") as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report our disclosure controls and procedures were effective.

(b) Changes in Internal Control Over Financial Reporting.

During the fourth quarter ended September 30, 2014, there were no changes in our internal controls over financial reporting that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting

(c) Management Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records, that in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Management assessed the effectiveness of the Company's internal control over financial reporting as of September 30, 2014. In making this assessment, management used the criteria described in *Internal Control — Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Based on our assessment and those criteria, management concluded that our internal control over financial reporting was effective as of September 30, 2014. Management reviewed the results of their assessment with our Audit Committee. The effectiveness of our internal control over financial reporting as of September 30, 2014 has been audited by McGladrey LLP, and independent registered public accounting firm, as stated in their attestation report which is included herein.

Item 9B. Other Information.

Water Storage Contract Approval

In December 2012, the South Florida Water Management District ("SFWMD") issued a solicitation request for projects to be considered for the Northern Everglades Payment for Environmental Services Program. In March 2013, the Company submitted its response proposing a dispersed water management project on its ranch land.

On December 11, 2014, the SFWMD approved a contract, based on the submitted response, with the Company. The contract term is eleven years and allows up to one year for implementation (design, permitting, construction and construction completion certification) and ten years of operation whereby the Company will provide water retention services. Payment for these services includes an amount not to exceed \$4,000,000 of reimbursement for implementation. In addition it provides for an annual fixed payment of \$12,000,000 for operations and maintenance costs as long as the project is in compliance with the contract and subject to annual SFWMD Governing Board ("Board") approval of funding. The contract specifies that the Board has to approve the payments annually and there can be no assurance that it will approve the annual fixed payments.

The foregoing description of the contract does not purport to be complete and is qualified in its entirety by reference to the contract, a copy of which will be filed in the Company's next periodic report covering the period the contract was entered into.

PART III

Certain information required by Part III is omitted from this Annual Report because we will file a definitive Proxy Statement for the Annual Meeting of Stockholders pursuant to Regulation 14A of the Securities Exchange Act of 1934, (“Proxy Statement”), not later than 120 days after the end of the fiscal year covered by this Annual Report, and the applicable information included in the Proxy Statement is incorporated herein by reference.

Item 10. Directors, Executive Officers and Corporate Governance.

Information concerning our directors and nominees and other information as required by this item are hereby incorporated by reference from our Proxy Statement to be filed with the SEC pursuant to Regulation 14A.

Item 11. Executive Compensation.

The information required by Item 11 regarding executive compensation is included under the headings “Compensation Discussion and Analysis”, “Compensation Committee Report” and “Compensation Committee Interlocks and Insider Participation” in our Proxy Statement to be filed with the SEC pursuant to Regulation 14A.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information concerning the ownership of certain beneficial owners and management and related stockholder matters is hereby incorporated by reference to our Proxy Statement to be filed with the SEC pursuant to Regulation 14A.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information concerning relationships and related transactions is hereby incorporated by reference to our Proxy Statement to be filed with the SEC pursuant to Regulation 14A.

Item 14. Principal Accountant Fees and Services.

Information concerning principal accounting fees and services is hereby incorporated by reference to our Proxy Statement to be filed with the SEC pursuant to Regulation 14A.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) Documents filed as part of this report

(1) Financial Statements

Our Consolidated Financial Statements are included in Part II, Item 8 of this Annual Report on Form 10-K.

(2) Financial Statement Schedules

Financial statement schedules are omitted as the required information is either inapplicable or the information is presented in our Consolidated Financial Statements or notes thereto.

(3) Exhibits

The exhibits listed in the Exhibit Index in (b) below are filed or incorporated by reference as part of this Annual Report on Form 10-K

(b) Exhibit Index

Exhibit
Number

Exhibit Index

- 2.1 *** Asset Purchase Agreement, dated as of December 1, 2014, by and among Alico, Inc., Orange-Co, LP, and, solely with respect to certain sections thereof, Orange-Co, LLC and Tamiami Citrus, LLC. (Incorporated by reference to Exhibit 2.1 of Alico's filing on Form 8-K dated December 5, 2014)
- 2.2 *** Agreement and Plan of Merger, dated as of December 2, 2014, by and among Alico, Inc., 734 Sub, LLC, 734 Citrus Holdings, LLC, and, solely with respect to certain sections thereof, 734 Agriculture, LLC, Rio Verde Ventures, LLC and Clayton G. Wilson. (Incorporated by reference to Exhibit 2.2 of Alico's filing on Form 8-K dated December 5, 2014)
- 3.1 Restated Certificate of Incorporation, Dated February 17, 1972 (incorporated by reference to Alico's Registration Statement on Form S-1 dated February 24, 1972, Registration No. 2-43156).
- 3.2 Certificate of Amendment to Certificate of Incorporation, Dated January 14, 1974 (incorporated by reference to Alico's Registration Statement on Form S-8, dated December 21, 2005, Registration No. 333-130575)
- 3.3 Amendment to Articles of Incorporation, Dated January 14, 1987 (incorporated by reference to Alico's Registration Statement on Form S-8, dated December 21, 2005, Registration No. 333-130575)
- 3.4 Amendment to Articles of Incorporation, Dated December 27, 1988 (incorporated by reference to Alico's Registration Statement on Form S-8, dated December 21, 2005, Registration No. 333-130575)
- 3.5 Bylaws of Alico, Inc., amended and restated (incorporated by reference to Alico's filing on Form 10-K, dated December 14, 2010)
- 3.6 By-Laws of Alico, Inc., amended and restated (incorporated by reference to Alico's filing on Form 8-K dated October 4, 2007)
- 3.7 By-Laws of Alico, Inc. amended and restated (incorporated by reference to Alico's filing on Form 8-K dated November 21, 2008)
- 3.8 By-Laws of Alico, Inc. amended and restated (incorporated by reference to Alico's filing on Form 8-K dated October 5, 2010)
- 3.9 By-Laws of Alico, Inc. , amended and restated (Incorporated by reference to Exhibit 3.1 of the Company's current report on Form 8-K, filed with the Commission on January 25, 2013).
- 10 Material Contracts
- 10.1 Credit agreement with Rabobank Agri-Finance (incorporated by reference to Alico's filing on Form 8-K dated September 8, 2010)
- 10.2 * Change in Control Agreement dated March 27, 2013 between Alico, Inc. and JD Alexander (Incorporated by reference to Exhibit 10.1 of the Company's quarterly report on Form 10-Q filed with the Commission on May 6, 2013)
- 10.3 * Change in Control Agreement dated March 27, 2013 between Alico, Inc. and Kenneth Smith, Ph.D. (Incorporated by reference to Exhibit 10.2 of the Company's quarterly report on Form 10-Q filed with the Commission on May 6, 2013)
- 10.4 * Change in Control Agreement dated March 27, 2013 between Alico, Inc. and W. Mark Humphrey (Incorporated by reference to Exhibit 10.3 of the Company's quarterly report on Form 10-Q filed with the Commission on May 6, 2013)
- 10.5 * Change in Control Agreement dated March 27, 2013 between Alico, Inc. and Steven C. Lewis (Incorporated by reference to Exhibit 10.4 of the Company's quarterly report on Form 10-Q filed with the Commission on May 6, 2013)
- 10.6 * Form of Indemnification Agreement (Incorporated by reference to Exhibit 10.5 of the Company's quarterly report on Form 10-Q filed with the Commission on May 6, 2013)
- 10.7 * Management Security Plan(s) Trust Agreement (Incorporated by reference to Exhibit 10.6 of the Company's quarterly report on Form 10-Q filed with the Commission on May 6, 2013)
- 10.8 Fourth Amendment to Credit Agreement with Rabo Agrifinance, Inc. dated April 1, 2013 (Incorporated by reference to Exhibit 10.7 of the Company's quarterly report on Form 10-Q filed with the Commission on May 6, 2013)

- 10.9 Agricultural Lease Agreement dated May 19, 2014 between Alico, Inc. and United States Sugar Corporation. (Incorporated by reference to Exhibit 10.1 of the Company's quarterly report on Form 10-Q filed with the Commission on August 11, 2014)
- 10.10 Purchase and Sale Agreement dated August 7, 2014 between Alico, Inc. and Terra Land Company.
- 10.11 Fifth Amendment to Credit Agreement with Rabo Agrifinance, Inc. dated April 28, 2014
- 10.12 Sixth Amendment to Credit Agreement with Rabo Agrifinance, Inc. dated July 1, 2014
- 10.13 *** First Amended and Restated Credit Agreement, dated as of December 1, 2014, by and among Alico, Inc., Alico Land Development, Inc., Alico-Agri, Ltd., Alico Plant World, L.L.C., Alico Fruit Company, LLC, Metropolitan Life Insurance Company, and New England Life Insurance Company. (Incorporated by reference to Exhibit 10.1 of Alico's filing on Form 8-K dated December 5, 2014)
- 10.14 *** Credit Agreement, by and between Alico, Inc., Alico-Agri, Ltd., Alico Plant World, L.L.C., Alico Fruit Company, LLC, Alico Land Development, Inc., and Alico Citrus Nursery, LLC, as Borrowers and Rabo Agrifinance, Inc., as Lender. (Incorporated by reference to Exhibit 10.2 of Alico's filing on Form 8-K dated December 5, 2014)
- 14.1 Code of Ethics (incorporated by reference to Alico's filing on Form 8-K dated February 24, 2009)
- 14.2 Whistleblower Policy (incorporated by reference to Alico's filing on Form 8-K dated February 24, 2009)
- 21 Subsidiaries of the Registrant — Alico Land Development Company, Inc. [(formerly Saddlebag Lake Resorts, Inc. (a Florida corporation incorporated in 1971)]; Alico-Agri, Ltd (a Florida limited partnership formed in 2003), Alico Plant World, LLC (a Florida limited liability company organized in 2004), Bowen Brothers Fruit, LLC (a Florida limited liability company organized in 2005) incorporated by reference to Alico's filing on Form 10-K dated November 28, 2006
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Rule 13a-14(a) certification
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Rule 13a-14(a) certification
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350
- 101
- 101.INS ** XBRL Instance Document
- 101.SCH ** XBRL Taxonomy Extension Schema Document
- 101.CAL ** XBRL Taxonomy Calculation Linkbase Document
- 101.DEF ** XBRL Taxonomy Definition Linkbase Document
- 101.LAB XBRL Taxonomy Label Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

* Denotes a management contract or compensatory plan, contract or arrangement.

** In accordance with Rule 406T of Regulation S-T, these XBRL (eXtensible Business Reporting Language) documents are furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability under these sections.

*** Certain schedules and exhibits have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. The Company will furnish supplemental copies of any such schedules or exhibits to the SEC upon request.

PURCHASE AND SALE AGREEMENT

By and Between

ALICO, INC.

A FLORIDA CORPORATION

(“Seller”)

and

TERRA LAND COMPANY

AN ILLINOIS CORPORATION, OR ITS DESIGNEE

(“Buyer”)

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (“Agreement”) is made and entered into as of the Effective Date by and between Seller and Buyer. The terms of this Agreement and the Escrow Agent's instructions are as follows:

ARTICLE 1

CERTAIN DEFINITIONS AND FUNDAMENTAL PROVISIONS

Set forth below are certain definitions and fundamental provisions for the purposes of this Agreement.

1.1. “Adjusted Purchase Price” means the Base Purchase Price minus (i) the Railroad Tract Valuation minus (ii) the Railroad Tract Impaired Acreage Valuation plus or minus, as appropriate, (iii) the Variance Valuation.

1.2. “Affiliate” means, with respect to a person or entity, all persons or entities that, directly or indirectly, control, are controlled by or are under common control with such person or entity, or, with respect to a person or entity, all persons or entities that, directly or indirectly, own, are owned by or are under common ownership with such person or entity.

1.3. “Agreement” means this Purchase and Sale Agreement.

1.4. “Authorities” means any governmental or quasi-governmental body or agency having jurisdiction over the Property and/or Seller, including, without limitation, the State, any city in which all or a portion of the Property is situated and the County, and the agencies, authorities and districts of the foregoing.

1.5. “Appurtenances” means all rights, title, interest and privileges of Seller in and to the Land, all rights, title, interest and privileges of Seller in and to any and all streets, roads, rights-of-way, utilities, easements, canals and waterways adjacent, contiguous or beneficial to the Land, all other appurtenances to the Land, any other right, title, interest, estate or benefit of the Seller in or to the Land and all sand, rock, gravel, soil, air, surface, subsurface, drainage, irrigation, water or riparian rights appurtenant and incidental to the Land, including, but not limited to, all

well permits, consumptive use and surface water management permits, approvals, licenses, consents, vested rights, exemptions, the right to explore for and extract gravel and soil and all benefits appurtenant to or used in connection with the beneficial use and enjoyment of the Land; provided however Seller shall reserve ownership of all oil and gas rights below the surface of the Land. A Surface Use Agreement (as hereinafter defined) shall be used to provide for oil and gas testing, exploration, development, and operational access to the surface of the Land. Seller shall not execute the Surface Use Agreement without the Buyer's prior written consent, which consent will not be unreasonably withheld, conditioned or delayed. Seller shall deliver to Buyer at least twenty (20) days advance written notice of its intent to access the Land and its intent to execute a Surface Use Agreement.

1.6. "Base Purchase Price" means Ninety-One Million Four-Hundred Thirty-Six Thousand and NO/100 Dollars (\$91,436,000).

1.7. "Buyer's Address" means the following:

2004 Fox Drive, Suite L
Champaign, IL 61820
Attn: Legal Counsel
Telephone No.: (217) 352-6000

with a copy to:

Larry B. Alexander, Esq.
Jones, Foster, Johnston & Stubbs, P.A.
Flagler Center Tower, Suite 1100
505 South Flagler Drive
West Palm Beach, Florida 33401
Facsimile No.: (561) 650-5300
Telephone No.: (561) 659-3000
E-Mail: lalexander@jonesfoster.com

1.8. "Closing" means the closing of the purchase and sale of the Property.

1.9. "Closing Date" means fifteen (15) days after the expiration of the Inspection Period, as hereinafter defined.

1.10. "County" means Hendry County, Florida.

1.11. "Deposit" means Two Million Dollars (\$2,000,000.00) delivered to the Escrow Agent pursuant to the terms of this Agreement.

1.12. "Effective Date" means the date that both Seller and Buyer have executed and delivered a copy of this Agreement to each other, whether by facsimile or other method of delivery.

1.13. "Escrow Agent" means Jones, Foster, Johnston & Stubbs, P.A., as agents for Chicago Title Insurance Company whose address is:

Flagler Center Tower, Suite 1100
505 South Flagler Drive
West Palm Beach, Florida 33401
Attn: Larry B. Alexander, Esq.
Facsimile No.: (561) 650-5300
Telephone No.: (561) 659-3000
E-Mail: lalexander@jonesfoster.com

1.14. "Excluded Crops" means (a) growing crops on the Land and (b) sugar cane stubble located on the Land.

1.15. "Farmable Acres" means the planted or plantable acres included as part of the Land.

1.16. "Governmental Regulations" means any laws, ordinances, rules, requirements, resolutions, policy statements and regulations (including, without limitation, those relating to land use, subdivision, zoning, environmental, toxic or hazardous waste, occupational health and safety, water, earthquake hazard reduction, and building and fire codes) of the Authorities bearing on the construction, alteration, rehabilitation, maintenance, use, operation or sale of the Property.

1.17. "Improvements" means all buildings, improvements and fixtures located on or affixed to the Land, including all buildings, structures and improvements of every kind and description erected or placed on the Land.

1.18. "Inspection Period" means the period commencing on the date of the delivery of Exhibit A-1, Exhibit A-2 and Exhibit A-3 of this Agreement and expiring at 5:00 p.m. Eastern Standard Time on the later of (a) 60th day thereafter, or (b) the 30th day after Buyer's receipt of (i) the Title Commitment (as hereinafter defined) and legible copies of the exceptions and (ii) the Surveys (as defined in Section 4.7 of this Agreement), but in no event will the expiration of the Inspection Period exceed seventy five (75) days after the Effective Date.

1.19. "Intangible Property" means all of the right, title and interest of Seller in and to all intangible personal property used in the operation of the Property or maintenance of the Property, if any, including, without limitation, (a) to the extent assignable, all warranties or guarantees from any contractors, subcontractors, manufacturers, suppliers or materialmen pertaining to the Property and/or any construction, repairs or alteration of the Property (all such items in this clause (a) being collectively called the "Warranties and Guaranties"), (b) all licenses, permits, development rights, certificates of occupancy, authorizations, approvals, dedications, subdivision maps and entitlements issued, approved or granted by Authorities or otherwise in connection with the Property relating to the operation, occupancy and use of the Property (all such items in this clause (b) being called the "Licenses and Permits"), specifically including all licenses and permits required to be issued by any Authorities, (c) all goodwill generated by the Property, (d) all Seller's or any of its Affiliate's stock and/or membership and/or voting rights in any special district, any special drainage or improvement district or company which provides any services or benefits to the Property, (e) all other rights, allocations, crop acreage base and production rights resulting from or determined in accordance with any state or federal agricultural program, and (f) all products and proceeds of the foregoing.

1.20. "Irrigation and Drainage Easements" means irrigation and drainage easement agreements to be negotiated between Seller and Buyer during the Inspection Period to provide for irrigation and drainage necessary for the Water Management Agreement and access to allow the applicable party to maintain and repair the irrigation and

drainage facilities and system described in the Water Management Agreement.

1.21. "Land" means that certain parcel of land located in Hendry County, Florida containing approximately 30,959 gross acres (the "Gross Acres"), which can be further defined as the combination of 19,540 Farmable Acres (the "Gross Farmable Acres") and 11,419 Support Acres (the "Gross Support Acres") and more particularly described in **Exhibit "A"** which shall be provided by Seller to Buyer subsequent to the execution of this Agreement but before the Inspection Period begins, excluding the Excluded Crops; provided however the parties agree that the Seller shall retain (i) that portion of the real estate described on Exhibit "A-RR" relating to the Railroad Tract that is included in the foregoing gross acreage calculations and (ii) ownership of all oil and gas located on and below the surface of the Land. The Land is composed of three separate tracts, the Hillgrade Tract as described on Schedule A-1 (the "Hillgrade Tract"), the Collins Slough Tract as described on Schedule A-2 (the "Collins Slough Tract"), and the 2x6 Tract as described on Schedule A-3 (the "2x6 Tract").

1.22. "Lease" means that certain Lease Agreement between Seller, as Tenant, and Buyer, as Landlord, in the form attached hereto as **Exhibit "B"**.

1.23. "Net Farmable Acres" means the Gross Farmable Acres minus any Farmable Acres included in the Railroad Tract.

1.24. "Net Support Acres" means the Gross Support Acres minus any Support Acres included in the Railroad Tract.

1.25. "Permitted Encumbrances" means the items described in Section 6.1.2, the Sublease, Real property taxes for the current year which are not yet due and payable, and Rules, regulations and future assessments, if any, by South Florida Water Management District, the Lease, the Water Management Agreement, the reservation of oil and gas rights by the Seller, the Irrigation and Drainage Easements, the Reciprocal Access Easement, the RR Easements, and other matters that are deemed to be

included as Permitted Encumbrances pursuant to Section 4.8 hereof.

1.26. "Personal Property" means all fixtures attached to the Land and the improvements, including but not limited to roads, wells, casings, pumps, transformers, power lines, lift stations, power units, motors, water control structures, fuel tanks, road material such as gravel, shell rock, etc. and all personal property used in connection with the Land (other than rolling stock and farming equipment), irrigation equipment and systems, drainage equipment and systems located on the Land and/or used for the benefit of the Land and owned by Seller. Seller shall prepare a list of the Personal Property and deliver it to Buyer for its approval within fifteen (15) days after the Effective Date, which list ("Personal Property List") shall be modified at Buyer's reasonable request to include additional items which are used on or in connection with the Land.

1.27. "Property" means, collectively, all of Seller's right, title and interest in and to the Land, the Appurtenances, the Improvements, the Personal Property and the Intangible Property.

1.28. "Official Records" means the Official Records of Hendry County, Florida.

1.29. "Railroad Tract Impaired Acreage Valuation" means the adjustment to the Base Purchase Price as outlined in Section 9.3 of this Agreement.

1.30. "Railroad Tract" means that land described on Exhibit A-RR consisting of approximately 200 acres which will be retained by Seller subsequent to Closing for the potential construction of a railroad line.

1.31. "Railroad Tract Valuation" means the adjustment to the Base Purchase Price as outlined in Section 9.3 of this Agreement.

1.32. "Reciprocal Access Easement" means a reciprocal easement agreement (or agreements) to be negotiated between the Buyer and Seller during the Inspection Period to provide that the Buyer shall be granted a non-exclusive ingress and egress easement over and upon a certain road located on real property retained by the

Seller, and that the Seller shall have be granted a non-exclusive ingress and egress easement over and upon a certain road located on the Land. Said roads are further depicted on **Exhibit "C"** which shall be provided by Seller to Buyer within fifteen (15) days after the Effective Date of this Agreement. The Reciprocal Access Easement shall further provide that said easements shall be perpetual (unless otherwise agreed by the Buyer and Seller) and shall constitute covenants running with the land. Furthermore, the Reciprocal Access Easement shall provide for mutually acceptable maintenance of such easement areas and other commercially reasonable and mutually acceptable terms.

1.33. "Rental Account Escrow Agreement" means an agreement to be executed by Buyer, as Landlord and Seller, as Tenant prior to the expiration of the Inspection Period which shall provide for the payment of rent from United States Sugar Corporation to a rental escrow agent upon Seller's uncured default, as Tenant, in the Master Lease.

1.34. "Reports" means all structural reviews, architectural drawings and engineering, soils, seismic, environmental, geologic, water, drainage, and architectural reports, tests, audits and studies pertaining to the Property which are within the possession of, under the control of, or reasonably available to Seller.

1.35. "Seller's Address" means the following:

10070 Daniels Interstate Court
Fort Myers, FL 33913
Attn: Clayton G. Wilson, CEO
Facsimile No.: _____
Telephone No.: 239-226-2001

With a copy to:

David A. Miller, Esquire
Peterson & Myers, P.A.
225 East Lemon Street, Suite 300
Lakeland, FL 33801-4627
Facsimile No.: (863) 688-8099
Telephone No.: 863-683-6511
E-Mail: dmiller@petersonmyers.com

1.36. "State" means the State of Florida.

1.37. "Subordination and Consent Agreement" means an agreement to be executed on or before the Closing Date by United States Sugar Corporation, as Subtenant, Seller, as Tenant and Buyer, as Landlord, subordinating the Sublease to the Lease in the form to be agreed upon by the parties prior to the expiration of the Inspection Period.

1.38. "Sublease" means that certain lease between Seller, as Landlord, and United States Sugar Corporation, as Tenant, encumbering all or part of the Land, which lease will become a sublease under the Lease, pursuant to the Subordination and Consent Agreement.

1.39. "Support Acres" means the support or non-productive acres included as part of the Land.

1.40. "Surface Use Agreement" means an agreement executed by Seller and any third party exploration or drilling company who intends to access the Land for the exploration of oil and/or gas, prior to such access, which agreement shall provide for seismic surveys, soil gas surveys and tellurics surveys, use of surface water for test drilling, the location of such access, exploration and/or drilling, operation and production processes for such access and/or drilling, operation and production, including remediation, environmental protection and compensation to Buyer and/or tenants for any impairment to its agricultural operations on the Land.

1.41. "Survival Period" means the period commencing on the Closing Date and ending 5:00 p.m. Eastern Standard Time eighteen (18) months after the Closing Date.

1.42. "Title Agent" means Jones, Foster, Johnston & Stubbs, P.A., as agents for Chicago Title Insurance Company.

1.43. "Title Company" means Chicago Title Insurance Company.

1.44. "Variance Valuation" means the adjustment, either positive or negative, to the Base Purchase Price as outlined in Section 3.2 of this Agreement.

1.45. "Water Management Agreement" means an agreement to be negotiated between Seller and Buyer during the Inspection Period to provide for the sharing of irrigation and/or drainage water and facilities serving jointly the Property and the currently existing citrus grove located on the 2x6 Tract, with Seller having priority to use water for purposes of irrigating and protecting citrus crops on the currently existing citrus grove located on the 2x6 Tract during any freezes that could be harmful to fruit crops located on the currently existing citrus grove located on the 2x6 Tract.

In addition to those terms defined above, capitalized terms used in this Agreement shall have the meanings following the use of such terms.

ARTICLE 2

PURCHASE AND SALE

Seller agrees to sell to Buyer, and Buyer agrees to purchase from Seller, the Property upon the terms and conditions set forth in this Agreement.

ARTICLE 3

PURCHASE PRICE

3.1. Deposit. Within five (5) business days after the Effective Date, Buyer shall deposit with Escrow Agent the Deposit, which shall be held in a non-interest bearing account.

If this Agreement is terminated by either Seller or Buyer as provided in this Agreement, Escrow Agent shall deliver the portion of the Deposit then held by Escrow Agent to the party entitled thereto pursuant to the applicable terms of this Agreement.

If the transaction contemplated by this Agreement is consummated in accordance with the terms of this Agreement, the Deposit shall be credited toward payment of the Purchase Price at Closing.

3.2. Variance in Acreage. In the event that either the Net Farmable Acres or Net Support Acres of the Land as provided in Paragraphs 1.22 and 1.23 hereof are more or

less than the calculated amounts by one percent (1%) or greater, there will be an adjustment to the Base Purchase Price by the amount of the Variance Valuation. The Variance Valuation shall be calculated by adding (i) the product of any variance of Net Farmable Acres by \$4,000 and (ii) the product of any variance of Net Support Acres by \$1,163. There will be no adjustment to the Base Purchase Price if the actual Net Farmable Acres and the actual Net Support Acres are less than the one percent (1%) variance.

3.3. Balance of Adjusted Purchase Price. On or before the Closing Date, Escrow Agent shall deliver the Deposit to the Title Agent and Buyer shall deliver to Title Agent cash or a wire transfer of funds in the amount required to complete the purchase (the "Cash Payment"). If the transaction contemplated by this Agreement is consummated in accordance with the terms of this Agreement, the Deposit and the Cash Payment shall be applied toward payment of the Adjusted Purchase Price at the Closing.

3.4. Regulations§1.1031(k)-1(g)(6) Restrictions. Anything to the contrary in Sections 3.1 or 3.3 or any other provision of the Agreement to the contrary notwithstanding, Seller will not be entitled to receive any portion of the Deposit held by the Escrow Agent or any interest thereon and will not be entitled to receive, pledge, borrow, or otherwise obtain the benefits of money or other property prior to the occurrence of those events specified in Regulations §1.1031(k)-1(g)(6), except for payments authorized under Regulations §1.1031(k)-1(g)(7)(ii). The provisions of this Section 3.4 will expire automatically, without any further action by anyone, and will no longer be a term or condition of this Agreement upon delivery by Seller to Buyer and Escrow Agent of a written notice of assignment of Seller's rights under this Agreement to a Qualified Intermediary.

Prorations and adjustments relating to the Property shall be computed in accordance with Paragraph 5.5 of this Agreement. If such computation of apportionments shows that a net amount is owed by Buyer to Seller, such amount shall be paid by Buyer to Seller on the Closing Date along with and in the same manner as the Cash Payment. If the computation of apportionments shows that a net amount is owed by Seller to Buyer, such amount shall be credited against the Purchase Price. The foregoing to the contrary notwithstanding, the Cash Payment and any other funds due to Seller will be paid to the Qualified Intermediary instead of the Seller if the Seller

has assigned its rights under this Agreement to a Qualified Intermediary in accordance with Section 14.18.

ARTICLE 4

ENTRY, INSPECTIONS AND EXAMINATION

4.1. Inspections, Tests and Studies. Seller shall permit Buyer and its authorized agents and representatives to enter upon the Property at all reasonable times during normal business hours to inspect and conduct reasonably necessary tests and studies of the Property (“Inspections”). Buyer shall deliver advance written notice to Seller (such written notice not to be delivered less than twenty hours in advance) of its intention or the intention of its agents or representatives to enter upon the Property. Buyer shall bear the cost of all such inspections, tests and studies. In conducting any inspections, tests or studies, Buyer and its authorized agents and representatives shall (a) not unreasonably interfere with the operation, use and maintenance of the Property, (b) not damage any part of the Property or any personal property owned or held by any Tenant or any third party, (c) not injure or otherwise cause bodily harm to Seller or any of its respective agents, contractors and employees or any Tenant or other third party, (d) promptly pay when due the cost of all inspections, tests or studies, (e) not permit any liens to attach to the Property by reason of the exercise of their rights under this Paragraph and shall immediately pay and discharge any such liens that do attach to the Property, and (f) fully restore the Property to the condition in which the same was found before any such inspections, tests or studies were undertaken. Notwithstanding anything herein to the contrary, Buyer will not conduct any invasive testing without first obtaining Seller’s prior written approval, which approval will not be unreasonably withheld, conditioned or delayed.

4.2. Buyer's Indemnity. Buyer hereby agrees to indemnify, defend, protect and hold Seller and its agents, employees and contractors harmless from and against any and all liens, claims, losses, liabilities, damages, costs, expenses, causes of action (including reasonable attorney’s fees and court costs) arising solely out of Buyer’s, or its agent’s, acts or omissions during Buyer’s inspections, tests and studies, and not the result of any existing condition or

defect. All of Buyer's Inspections shall be performed at Buyer's sole cost and expense. Before any entry by Buyer or its agents, employees or contractors upon the Land, Buyer shall obtain a policy of general liability insurance coverage of at least One Million and No/100ths Dollars (\$1,000,000.00) per person and per occurrence, single limit coverage, listing Seller as an additional insured thereunder, which insurance coverage shall remain in effect until Closing or until any earlier termination of this Agreement, and shall furnish to Seller a certificate of insurance confirming such coverage. Buyer's obligations hereunder will survive the termination of this Agreement.

4.3. Review of Due Diligence Materials. On or prior to the date that is ten (10) days after the Effective Date, Seller shall deliver to Buyer for Buyer's review and approval the documents and materials (the "Due Diligence Materials") listed on attached **Exhibit "D"** and relating to the Property that are in Seller's possession, custody or control. Seller shall likewise deliver updated Due Diligence Materials to Buyer as to any information thereon which Seller becomes aware has changed. Notwithstanding anything herein to the contrary, Seller disclaims any warranty or representation concerning the accuracy of the Due Diligence Materials and the information contained in the Due Diligence Materials and Buyer acknowledges the Due Diligence Materials are being delivered by Seller to Buyer as a convenience only and that any reliance on or use of such Due Diligence Materials by Buyer shall be at the sole risk of the Buyer; provided however that Seller is obligated to advise Buyer of any inaccuracies in the Due Diligence Materials known to it, and any inaccuracies that it becomes aware of after the delivery of the Due Diligence Materials.

4.4. No Negation of Representations and Warranties. The exercise or undertaking by Buyer of an inspection, examination, test or study or the review by Buyer of the Due Diligence Materials or any other act by Buyer shall not negate any representation, warranty or covenant, of Seller or modify any of Buyer's rights or Seller's obligations in the event of any breach by Seller of its representations, warranties or covenants in this Agreement.

4.5. Termination During Inspection Period. Buyer shall have the right, in its sole discretion, on or before the expiration of the Inspection Period to notify Seller in writing (the "Termination Notice") that it has elected to terminate this Agreement. Upon receipt by the Escrow Agent of a copy of the Termination Notice, the Escrow Agent shall deliver the Deposit to Buyer, and except for any obligations hereunder which survive the termination of this Agreement, all rights and obligations of the parties under this Agreement shall terminate. Buyer's failure to send the Termination Notice within the time required herein, shall constitute its waiver of its right to terminate this Agreement as provided in this Paragraph 4.5.

4.6. As Is Sale. Except for warranties set forth in instruments delivered at Closing, or as provided in this Agreement to the contrary, Buyer agrees that it will accept the physical condition of the Property in its **AS IS** condition, as of the last day of the Inspection Period; provided however, Seller shall cause the Personal Property to be in good working condition on the Closing Date. Seller expressly discloses and Buyer acknowledges that the Real Property has been used historically for agricultural purposes, and is subject to environmental issues related to agricultural uses, including without limitation agricultural chemicals and other hazardous substances commonly used in agricultural operations. Seller shall be obligated to remediate any of the aforementioned environmental issues up to the maximum cost to Seller of \$250,000 and Seller will be obligated to indemnify Buyer for such environmental issues, up to the maximum amount of \$250,000.

4.7. Survey. Within fifteen (15) days after the Effective Date, Buyer shall advise Seller in writing as to whether it requires either new ALTA surveys or new boundary surveys meeting the Florida minimum technical requirements ("Surveys") for the Land and if so, Buyer shall obtain the Surveys for the Land to be prepared and delivered to Buyer, which shall: (i) show legal descriptions for the Land; (ii) show the impact of the Permitted Encumbrances on the Land; and (iii) certify the Surveys to Buyer and Seller. Buyer and Seller shall jointly direct the surveyor providing the Surveys to bill each one-half of the cost of the Surveys, and unless paid previously, Seller and Buyer shall each pay one-half of the cost of the surveys at

Closing in accordance with the foregoing cost-share allocation. If Buyer sends the Termination Notice, Buyer and Seller shall each pay one-half of the cost of the Surveys to the surveyor in accordance with the foregoing cost-share allocation. Notwithstanding the foregoing, (x) Seller shall obtain within fifty (50) days after the Effective Date and pay all of the costs of the survey required to determine the Railroad Tract and (y) with respect to surveys of the Collins Slough Tract, if the Title Company requires a survey to delete the survey exception in order to issue the Title Policy without a survey exception, the parties shall split the costs of the survey for the Collins Slough Tract otherwise the costs of such survey shall be paid by Buyer.

4.8. Title Insurance. On or prior to the 30th day after the Effective Date, Buyer shall have received a title insurance commitment issued by the Title Company with respect to the Property agreeing to issue to the Buyer upon the recording of the Deed an owner's marketability title insurance policy in the amount of the Purchase Price and a copy of all title exceptions listed therein (the "Title Commitment"). As of the Closing, the Title Company shall have issued or shall have committed to issue to Buyer, upon payment of the premiums required therefor, A.L.T.A. Owner's Policy of Title Insurance showing fee title to Property vested in Buyer, subject only to the Permitted Encumbrances (the "Title Policy"). The Title Policy shall be issued with liability in an amount equal to the Purchase Price of the Property. Buyer shall give Seller written notice (the "Title Notice") on or before the date that is thirty (30) days after Buyer receives the Title Commitments that the condition of title as set forth in the Title Commitments and the Surveys is or is not satisfactory in Buyer's sole and absolute discretion. If Buyer fails to deliver to Seller the Title Notice within the time period set forth above, Buyer shall be deemed to be satisfied with the status of title and survey matters and to have waived the right to object to the same and the exceptions shown on the Title Commitment shall be deemed to be included as Permitted Encumbrances. Notwithstanding anything herein to the contrary, Seller shall use commercially reasonable efforts and take such actions as are reasonably required to cure prior to the Closing Date the objections to title and/or survey raised by Buyer in the Title Notice (the "Title Defects"), subject however to the Seller not being required expend any

monies or institute any legal or administrative proceedings to cure any title objections. In addition, at the Closing, Seller shall be obligated to satisfy or transfer to bond, from Seller's proceeds, any monetary encumbrances or liens affecting the Property created or assumed by Seller or arising from Seller's acts or omissions, to the extent of the Purchase Price, and to terminate any notices of commencement. If all of the Title Defects shall not have been cured by the Closing Date, then on or before the Closing Date Buyer shall have the right to either (a) agree to take title to the Property as is without any reduction in the Purchase Price, or (b) terminate this Agreement by giving written notice thereof to Seller, with a copy to Escrow Agent, in which event Escrow Agent may immediately, without further authorization or direction, refund the Deposit to the Buyer, and Buyer and Seller shall be released from all further duties or obligations to one another under this Agreement, except for any obligations which are specified to survive any termination of this Agreement.

ARTICLE 5

ESCROW

5.1. Indemnification and Non-Liability of Escrow Agent. Escrow Agent agrees to hold the Deposit pursuant to the provisions of this Agreement for application in accordance with the provisions hereof, upon the following terms:

5.1.1 Duties. Escrow Agent shall have no duties or responsibilities other than those expressly set forth in this Agreement. Escrow Agent shall have no duty to enforce any obligation of any person to make any payment or delivery or to enforce any obligation of any person to perform any other act. Escrow Agent shall be under no liability to Seller or Buyer or to anyone else by reason of any failure on the part of Seller or Buyer or any maker, guarantor, endorser or other signatory of any document or any other person to perform such person's obligations under any such document. Except for amendments to this Agreement and except for joint instructions given to Escrow Agent by Seller and Buyer relating to the Deposit, Escrow Agent shall not be obligated to recognize any agreement between any or all of the persons referred to herein, notwithstanding that references thereto may be made herein and whether or not it has knowledge thereof Escrow Agent shall have no responsibility or liability for any loss of principal and/or interest on any

investment of the Deposit, except as a result of Escrow Agent's gross negligence or misconduct.

5.1.2 Right to Interplead. In its capacity as Escrow Agent, Escrow Agent shall not be responsible for the genuineness or validity of any security, instrument, document or item deposited with it and shall have no responsibility other than to faithfully follow the instructions contained herein, and it is fully protected in acting in accordance with any written instrument given to it hereunder by Seller or Buyer and believed by Escrow Agent to have been signed by the proper person. Escrow Agent may assume that any person purporting to give any notice hereunder has been duly authorized to do so. The Escrow Agent is acting as a stakeholder only with respect to the Deposit. In the event that for any reason there is any dispute or uncertainty concerning any action to be taken hereunder, Escrow Agent shall have the right to take no action until it shall have received instructions in writing concurred to by Seller and Buyer or until directed by a final order of judgment of a court of competent jurisdiction, whereupon Escrow Agent shall take such action in accordance with such instructions or such order, provided that Escrow Agent shall have the right in the event of a dispute between Buyer and Seller to interplead the Deposit into the Registry of the Circuit Court in and for the County.

5.1.3 Ministerial Duties. The duties of Escrow Agent are purely ministerial in nature. Escrow Agent shall not be liable to Seller or Buyer or to anyone else for any, action taken or omitted by it, or any action suffered by it to be taken or omitted, in good faith and in the exercise of reasonable judgment, except for acts of willful misconduct or gross negligence. Escrow Agent may rely conclusively and shall be protected in acting upon any order, notice, demand, certificate, opinion or advice of counsel (including counsel chosen by Escrow Agent), statement, instrument, report or other paper or document (not only as to its due execution and the validity and effectiveness of its provisions, but also as to the truth and acceptability of any information therein contained) which is reasonably believed by Escrow Agent to be genuine and to be signed or presented by the proper person or persons. Escrow Agent shall not be bound by any notice or demand, or any waiver, modification, termination or rescission of this Agreement or any of the terms hereof, unless evidenced by a final judgment or decree of a court of competent jurisdiction, or a writing delivered to Escrow Agent signed by the proper party or parties and, if the duties or rights of Escrow Agent are affected, unless it shall give its prior written consent thereto.

5.1.4 Assumptions. Escrow Agent shall have the right to assume in the absence of written notice to the contrary from the proper person or persons that a fact or an event by reason of which an action would or might be taken by Escrow Agent does not exist or has not occurred, without incurring liability to Seller or Buyer or to anyone else for any action taken or omitted if acting in good faith, or any action suffered by it to be taken or omitted if acting

in good faith and in the exercise of reasonable judgment in reliance upon such assumption.

5.1.5 Demand for Deposit. If for any reason the Closing does not occur and either Seller or Buyer makes a written demand upon Escrow Agent for payment or refund, as the case may be, of the Deposit or any portion thereof, Escrow Agent shall give written notice to the other party of such demand. If Escrow Agent does not receive a written objection from the other party to the proposed payment or refund, as the case may be, within five (5) Business Days after the giving of such notice, Escrow Agent is hereby authorized to and shall make such payment or refund, as the case may be; provided, however, if for any reason Escrow Agent in good faith shall elect not to make such payment, Escrow Agent shall continue to hold such amount until otherwise directed by written instructions from the parties to this Agreement or a final judgment of a court of competent jurisdiction.

5.1.6 Resignation. Escrow Agent may resign at any time as Escrow Agent hereunder upon giving five (5) days prior written notice to that effect to each of the Seller and Buyer. In such event, the successor Escrow Agent shall be a nationally recognized title insurance company selected by Buyer with offices within the State of Florida. Such party that will no longer be serving as Escrow Agent shall deliver, against receipt, to such successor Escrow Agent, the Deposit held by such party, to be held by such successor Escrow Agent pursuant to the terms and provisions of this Agreement. If no such successor has been designated on or before such party ceases to be Escrow Agent hereunder, whether by resignation or otherwise, its obligations as Escrow Agent shall continue until such successor is appointed; provided, however, its sole obligation thereafter shall be to safely keep all monies then held by it and to deliver the same to the person, firm or corporation designated as its successor or until directed by a final order or judgment of a court of competent jurisdiction, whereupon Escrow Agent shall make disposition thereof in accordance with such order. If no successor Escrow Agent is designated and qualified within five (5) days after its resignation is effective, such party who will no longer be serving as Escrow Agent may apply to a court of competent jurisdiction for the appointment of a successor Escrow Agent. Any successor Escrow Agent shall agree to be bound by the terms of this Agreement.

5.1.7 Waiver of Conflict. Seller acknowledges that Escrow Agent is Buyer's counsel, waives all conflicts that may arise from such relationship and agrees that Escrow Agent may represent Buyer with regard to this Agreement and any litigation that may arise under it, so long as the Escrow Agent interpleads the Deposit into the Registry of the Circuit Court in and for the County following a dispute between the Seller and Buyer, prior to representing the Buyer of record in such litigation.

5.2. Closing Date. The Closing shall occur at the offices of Title Agent on the Closing Date; provided, however, Seller, Buyer and Title Agent agree to cooperate with Buyer's request for an escrow or "mail away" closing.

5.3. Seller's Deliveries. Seller hereby covenants and agrees to deliver or cause to be delivered to Escrow Agent on or before 10:00 a.m. Eastern Standard Time on the Closing Date the following instruments and documents for the Property:

5.3.1 Deed. A Special Warranty Deed (the "Deed"), duly executed and acknowledged in recordable form by Seller, conveying the Land, Improvements and the Appurtenances to Buyer, subject only to the Permitted Encumbrances, and reserving the oil and gas rights below the surface of the Land.

5.3.2 Assignment of Intangible Property. Two (2) counterpart originals of an assignment of the Intangible Property (the "Intangible Assignment"), duly executed by Seller assigning to Buyer all of Seller's right, title and interest in and to such Intangible Property. The Intangible Assignment shall be in the form of and upon the terms reasonably satisfactory to Buyer.

5.3.3 Non-Foreign Certification. A certification duly executed by Seller under penalty of perjury in the form of, and upon the terms reasonably satisfactory to Buyer ("Non-Foreign Certificate").

5.3.4 Proof of Authority. Such proof of Seller's authority and authorization to enter into this Agreement and consummate the transactions contemplated hereby, and such proof of the power and authority of the individual(s) executing and/or delivering any instruments, documents or certificates on behalf of Seller to act for and bind Seller as may be reasonably required by the Title Company and/or Buyer.

5.3.5 Title/Lien Affidavits. Any title, possession and lien affidavits or mechanic's lien indemnifications as may be reasonably requested by the Title Company in order to issue the Title Policy (as defined in Section 6.1.2) without the standard exceptions being included therein.

5.3.6 Certificate Confirming Representations and Warranties. A certificate duly executed by Seller confirming all representations and warranties of Seller set forth in Article 7 are true and correct as of the date hereof or indicating any changes thereto.

5.3.7 Closing Statement. Four (4) counterpart originals of the closing statement for the Property duly executed by Seller.

5.3.8 Lease. Two counterpart originals of the Lease, duly executed by Seller, as tenant and witnessed by two (2) witnesses.

5.3.9 Lease Payments. All payments due to Buyer, as landlord, which are payable upon execution of the Lease.

5.3.10 Bill of Sale. A general warranty bill of sale for the Personal Property, duly executed by Seller.

5.3.11 Water Management Agreement. Two counterpart originals of the Water Management Agreement duly executed by Seller in recordable form and witnessed by two witnesses.

5.3.12 Irrigation and Drainage Easements. Irrigation and Drainage Easements (if applicable) duly executed by Seller in recordable form and witnessed by two witnesses.

5.3.13 Subordination and Consent Agreement. Three counterpart originals of the Subordination and Consent Agreement executed by United States Sugar Corporation as Subtenant, Seller as Tenant and Buyer as Landlord.

5.3.14 RR Easements. The RR Easements (as defined in Section 9.3), duly executed and acknowledged in recordable form by Seller, granting the easement rights specified in Section 9.3.

5.3.15 Reciprocal Access Easement. The Reciprocal Access Easement duly executed by Seller in recordable form and witnessed by two witnesses.

5.4. Buyer's Deliveries. Buyer hereby covenants and agrees to deliver or cause to be delivered to Escrow Agent on or before 10:00 a.m. Eastern Standard Time on the Closing Date the following instruments and documents for the Property:

5.4.1 Cash Payment. The Cash Payment.

5.4.2 Assignment of Intangible Property. Two (2) counterpart originals of the Intangible Assignment, duly executed by Buyer.

5.4.3 Closing Statement. Four (4) counterpart originals of the closing statement for the Property duly executed by Buyer.

5.4.4 Lease. Two (2) counterpart originals of the Lease duly executed by Buyer, as landlord and witnessed by two (2) witnesses.

5.4.5 Subordination and Consent Agreement. Three (3) counterpart originals of the Subordination and Consent Agreement executed by United States Sugar Corporation as Subtenant, Seller as Tenant and Buyer as Landlord.

5.4.6 Water Management Agreement. Two counterpart originals of the Water Management Agreement duly executed by Buyer in recordable form and witnessed by two witnesses.

5.4.7 Irrigation and Drainage Easements. Irrigation and Drainage Easements (if applicable) duly executed by Buyer in recordable form and witnessed by two witnesses

5.4.8 RR Easements. The RR Easements duly executed and acknowledged in recordable form by Buyer.

5.4.9 Reciprocal Access Easement. The Reciprocal Access Easement duly executed by Buyer in recordable form and witnessed by two witnesses.

5.5. Prorations.

5.5.1 General. All items to be prorated shall be prorated as of 11:59 P.M. on the day preceding the Closing (the "Apportionment Date") and shall constitute adjustments to the Adjusted Purchase Price to be paid by Buyer to Seller at Closing. For purposes of calculating prorations, Seller shall be deemed to be entitled to the Property and, therefore, entitled to the income and responsibility for the expenses for the Apportionment Date (not including the Excluded Crops) and Buyer shall be deemed to be in title to the Property, and therefore entitled to the income and responsible for the expenses (not including the Excluded Crops), for the entire day upon which the Closing occurs unless expressly provided otherwise in this Agreement. All proration items pertaining to the month in which the Closing occurs shall be prorated based upon the actual number of days in such month.

5.5.2 Real Estate Taxes and Assessments. Real estate and personal property ad valorem taxes and all special assessments for the year of the Closing shall not be prorated, as Seller shall, during the term of the Lease, remain responsible for the payment for all such taxes and special assessments pursuant to the Lease. Seller shall be obligated to and shall discharge prior to Closing all past due ad valorem property taxes, both real and personal, against the Property and relating to current or prior years, and assessments for improvements.

5.5.3 Utilities. Utilities will not be prorated for the year of the Closing and Seller shall, during the term of the Lease, remain responsible for payment of all utilities for the Property, pursuant to the Lease.

5.5.4 Other Expenses. All other expenses not otherwise specified herein in connection with the Property accruing and relating to the period through and including the Apportionment Date will be the responsibility of and paid by Seller.

5.6. Disbursements and Other Actions by Escrow Agent. Upon the Closing, Title Agent shall promptly undertake all of the following in the manner hereinbelow indicated:

5.6.1 Funds. Disburse all funds deposited with Title Agent as follows:

5.6.1.1. Closing Costs. Pay all closing costs which are required to be paid (e.g., recording costs, documentary transfer taxes, and premium for the Title Policy and related fees and costs, and any other charges set forth on the Closing Statement to the appropriate parties listed thereon).

5.6.1.2. Seller's Debts and Obligations. Pay all of Seller's payables, debts and obligations under this agreement related to the Property, including mortgages and liens.

5.6.1.3. To Seller. After deducting therefrom the amounts expended by Title Agent which are chargeable to the account of Seller and deducting therefrom or adding thereto (as appropriate) the net amount of the prorations pursuant to Paragraph 5.5 above, disburse the balance of the Cash Payment to Seller.

5.6.1.4. To Buyer. If applicable, disburse any remaining funds to Buyer in accordance with separate instructions to be delivered to Title Agent by Buyer.

5.6.2 Recordation. The Title Agent shall record in the Official Records the Deed (with documentary transfer tax), the Irrigation and Drainage Easements, the RR Easements, the Reciprocal Access Easement, and any other documents which Seller and Buyer hereto may mutually direct to be recorded in the Official Records and obtain conformed copies thereof for distribution to Buyer and Seller.

5.7. Closing Costs. Seller and Buyer shall pay the costs and expenses incurred in connection with this transaction as hereafter set forth. Seller and Buyer each shall pay its own attorneys' fees incurred in connection with the transaction contemplated by this Agreement. Seller

shall pay the documentary and other transfer taxes incurred in connection with the Closing of this transaction, including documentary stamp taxes on the Deed. Seller and Buyer shall each pay one-half of the cost of recording the Water Management Agreement and Irrigation and Drainage Easements and one-half of the premium for (a) the Title Commitment and Policy at the Butler Rate (the minimum amount required to be paid for title insurance pursuant to Florida law), and (b) abstract fees. The cost of the Surveys shall be paid in accordance with the provisions of Section 4.7. The costs of recording the Deed and all third-party due diligence costs incurred by Buyer in connection with the transaction contemplated by this Agreement shall be paid by Buyer.

5.8. Seller's Deliveries to Buyer Upon Closing. Seller shall deliver to Buyer, on or prior to the Closing, the following:

5.8.1 Property. Possession of the Property, subject to the Lease.

5.8.2 Licenses and Permits. Originals of all Licenses and Permits or, to the extent an original of a License or Permit is unavailable, a duplicate original thereof with a certificate executed by Seller warranting the authenticity of such duplicate original.

5.8.3 Warranties and Guaranties. Originals of all Warranties and Guaranties, if any, or, to the extent an original of a Warranty or Guaranty is unavailable, a duplicate original thereof with a certificate executed by Seller warranting the authenticity of such duplicate original.

5.8.4 Reports. Originals of the Reports.

ARTICLE 6

CONDITIONS TO CLOSING

6.1. Conditions Precedent to Buyer's Obligations. The Closing and Buyer's obligations with respect to the transactions contemplated by this Agreement are subject to the satisfaction, not later than the Closing (unless otherwise provided), of the following conditions:

6.1.1 Representations, Warranties and Covenants of Seller. Seller shall have duly performed each and every covenant to be performed by Seller under this Agreement and Seller's representations and warranties set forth

in this Agreement shall be true and correct and recertified as of the Closing in all material respects.

6.1.2 No Material Changes; Endorsements to Title Commitments. At the Closing, there shall have been no material adverse changes in the physical or financial condition of the Property. Within three (3) business days prior to Closing, the Title Agent shall deliver to Buyer endorsements to the Title Commitment which update the effective date thereof. If such endorsements add any exceptions to Schedule B-II of the Title Commitment, then Buyer may object in a writing delivered to Seller prior to the Closing and such objection shall be treated as a Title Notice under Paragraph 6.1.2 hereof. At the Closing, the title commitment shall be endorsed to delete (a) any and all requirements or preconditions to the issuance of an owner's marketability title insurance policy to the Buyer, (b) the "Gap Exception," (c) all standard exceptions (including the survey exception), and (d) any notices of commencement which are shown as Schedule B-II exceptions.

6.1.3 Moratorium. At the Closing, there shall be no reclassification, rezoning or other statute, law, judicial or administrative decision, proceeding, ordinance or regulation (including amendments and modifications of any of the foregoing) pending or proposed to be imposed by the Authorities or any public or private utility having jurisdiction over the Property which would adversely affect, in Buyer's reasonable judgment, the acquisition, use or sale of the Property.

6.1.4 Lease. Seller, as tenant executes and delivers the Lease to Buyer, as landlord at Closing.

6.1.5 Water Management Agreement and Irrigation and Drainage Easements. The Water Management Agreement and the Irrigation and Drainage Easements must be mutually agreed upon in writing by Seller and Buyer prior to the expiration of the Inspection Period.

6.2. Conditions Precedent to Seller's Obligations. The Closing and Seller's obligations with respect to the transactions contemplated by this Agreement are subject to (a) Buyer having performed each and every covenant to be performed by Buyer under this Agreement (b) Buyer's representations and warranties set forth in this Agreement being true and correct as of the Closing in all material respects, (c) Buyer, as landlord, executes and delivers the Lease to Seller, as tenant, at Closing, and (d) the Water Management Agreement, the Irrigation and Drainage Easements, the Reciprocal Access Easement, and the RR Easements must be mutually agreed upon in writing by

Seller and Buyer prior to the expiration of the Inspection Period.

6.3. Failure of Condition to Closing. Except as otherwise set forth herein, in the event any of the conditions set forth in Paragraph 6.1 or Paragraph 6.2 are not timely satisfied or waived, for a reason other than the default of Buyer or Seller under this Agreement:

6.3.1 This Agreement and the rights and obligations of Buyer and Seller shall terminate, except as otherwise provided herein; provided, however, no such termination shall occur until (a) Buyer has had the opportunity to waive any condition for Buyer's benefit within two (2) business days after receipt of written notice from Seller, and (b) Buyer does not elect to waive such condition; and

6.3.2 Escrow Agent and/or the Title Agent are hereby instructed to promptly return to Seller and Buyer all funds (including the Deposit) and documents deposited by them, respectively, which are held by Escrow Agent and/or the Title Agent on the date of said termination.

ARTICLE 7

REPRESENTATIONS AND WARRANTIES

In addition to any express agreements of Seller contained herein, the following constitute representations, warranties and/or covenants of Seller to Buyer.

7.1. Seller's Authority.

7.1.1 Power. Seller has the legal power, right and authority to enter into this Agreement and the instruments referenced herein, and to consummate the transactions contemplated hereby.

7.1.2 Requisite Action. All requisite action (corporate, trust, partnership or otherwise) has been taken by Seller in connection with the entering into this Agreement, the instruments referenced herein, and the consummation of the transactions contemplated hereby. No consent of any partner, shareholder, creditor, investor, judicial or administrative body, Authority or other party is required.

7.1.3 Authority. The individuals executing this Agreement and the instruments referenced herein on behalf of Seller have the legal power, right, and actual authority to bind Seller to the terms and conditions hereof and thereof.

7.1.4 Validity. This Agreement and all documents required hereby to be executed by Seller are and shall be valid, legally binding obligations of and enforceable against Seller in accordance with their terms.

7.1.5 No Conflict. Neither the execution and delivery of this Agreement and documents referenced herein, nor the incurrence of the obligations set forth herein, nor the consummation of the transactions herein contemplated, nor compliance with the terms of this Agreement and the documents referenced herein conflict with or result in the material breach of any terms, conditions or provisions of, or constitute a default under, any bond, note, or other evidence of indebtedness or any contract, indenture, mortgage, deed of trust, loan, partnership agreement, lease or other agreements or instruments to which Seller is a party or affecting the Property.

7.2. Legal Nature.

7.2.1 Legal Actions. There are no pending, or to Seller's actual knowledge without further inquiry threatened or contemplated, actions, suits, arbitrations, claims or proceedings, at law or in equity, affecting the Property or in which Seller is, or to the best of Seller's knowledge will be, a party by reason of Seller's ownership of the Property.

7.2.2 Bankruptcy. Seller neither contemplates nor has (i) made a general assignment for the benefit of creditors; (ii) filed any involuntary petition in bankruptcy or suffered the filing of an involuntary petition by Seller's creditors; (iii) suffered the appointment of a receiver to take possession of all or substantially all of Seller's assets; (iv) suffered the attachment or other judicial seizure of all, or substantially all, or Seller's assets; (v) admitted in writing its inability to pay its debts as they come due; or (vi) made an offer of settlement, extension or compromise to its creditors generally. Seller is solvent and able to pay its debts as they come due in the usual and ordinary course of business.

7.2.3 Authorities. To Seller's actual knowledge without further inquiry, there is not any plan, study or effort by any of the Authorities which in any way would materially affect the use of the Property for its intended uses. To Seller's actual knowledge without further inquiry, there are not any intended public improvements which will result in any charge being levied against, or any lien being assessed upon, the Property. To Seller's actual knowledge without further inquiry, there is not any existing, proposed or contemplated plan to widen, modify or realign any street or highway contiguous to the Property.

7.2.4 Governmental Regulations. To Seller's actual knowledge without further inquiry, there are no violations of Governmental Regulations relating to the Property and the present uses of the Improvements are permitted uses under applicable zoning and building laws and ordinances. To Seller's

actual knowledge without further inquiry, the conveyance of the Property does not violate any Governmental Regulations.

7.2.5 Licenses and Permits. To the best of Seller's knowledge, all licenses, approvals, permits and certificates from the Authorities or private parties necessary for the use and operation of the Property as it is currently being used and operated, were obtained and are currently possessed by Seller, and the Property has been constructed, modified and used in accordance with (a) all applicable approvals, licenses, permits and certificates, (b) all Governmental Regulations, and (c) all covenants, conditions, restrictions, easements and agreements of any kind or nature affecting the Property. To the best of Seller's knowledge, Seller has at all times operated in compliance with all requirements of each License and Permit.

7.2.6 Taxes. Other than the amounts disclosed by the tax bills delivered to Buyer by Seller, to the best of Seller's knowledge no other real property or personal property taxes have been or will be assessed against the Property for the previous tax year. To the best of Seller's knowledge, there are not any special assessments or charges which have been levied against the Property or which will result from work, activities or improvements done to the Property by Seller. To the best of Seller's knowledge, there are not any intended public improvements which will result in any charge being levied against, or in the creation of any lien upon, the Property or any portion thereof. Seller has paid through the date hereof and shall have paid through the Closing Date all occupancy, use and/or sales taxes imposed on the operation of the Property. Seller has no knowledge of any special assessments or charges which have been levied against the Property or which will result from work, activities or improvements done to the Property.

7.2.7 Title. Seller is the legal fee simple title holder of the Property and has good, marketable and insurable title to the Property, free and clear of all liens, encumbrances, claims, covenants, conditions, restrictions, easements, rights of way, options, judgments or other matters, other than the Permitted Encumbrances and mortgages which shall be discharged and satisfied at Closing. There shall be no change in the ownership, operation or control of Seller from the date hereof until the Closing.

7.2.8 Defects. To Seller's actual knowledge without further inquiry, there are no physical or mechanical defects in the condition of the Property and ordinary wear and tear, including, but not limited to, the roofs, exterior walls or structural components of any Improvements and the heating, air conditioning, plumbing, ventilating, elevator, utility, sprinkler and other mechanical and electrical systems, apparatus and appliances located in the Property, and all of the foregoing items are operational. To Seller's actual knowledge without further inquiry, the Property is free from infestation by termites or other pests, insects, disease or animals. To the best of Seller's

knowledge, all Personal Property is in good working condition and Seller shall cause all Personal Property to be in good working condition on the Closing Date.

7.2.9 Soil. To Seller's actual knowledge without further inquiry, there are no defects or conditions of the soil which will impair the present use and operation of the Property. Seller has received no written notice of any discharges of materials from the Property into any "waters of the United States" as defined in 33 CFR § 328.3 (July 1, 2007 edition), and Seller has not received any written notice from the United States Army Corps of Engineers that such "waters of the United States" exist on the Property.

7.2.10 Insurance Company Notices. Seller has not received any notices from any insurance company of any defects or inadequacies in the Property which have not been corrected.

7.2.11 No Sales Contracts. Seller has not entered into any other contracts for the sale of the Property, nor do there exist any rights of first refusal or options to purchase the Property or any portion thereof, nor will Seller enter into any such agreements during the term of this Agreement.

7.2.12 Hazardous Materials. Notwithstanding anything herein to the contrary, Seller expressly affirms and Buyer acknowledges that the Real Property has been used historically for agricultural purposes, and is subject to environmental issues related to agricultural uses, including without limitation agricultural chemicals and other hazardous substances commonly used in agricultural operations. Subject to the foregoing disclosures, to Seller's actual knowledge without further inquiry, the Property is free of all hazardous waste or substances and the Property is not in violation of any applicable Governmental Regulations and any applicable regulatory levels. To Seller's actual knowledge without further inquiry, there are not currently any underground tanks located on or in the Property, and if underground tanks have been located on or in the Property, such underground tanks have been removed in accordance with all Governmental Regulations. The term hazardous waste or substances shall include those substances included within the definitions of "hazardous substances," hazardous materials," "toxic substances," or "solid waste" in CERCLA, RCRA, and the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., and in the regulations promulgated pursuant to said laws or any replacement thereof and such other substances, materials and wastes which are or become regulated under applicable Governmental Regulations or which are classified as hazardous or toxic under Governmental Regulations. In the event Buyer determines prior to Closing that there are any hazardous wastes or substances upon or within the Property, Seller shall be obligated to clean up and remediate such hazardous wastes or substances either prior to Closing, or, if such work cannot be performed prior to Closing, Seller shall escrow at Closing a sufficient amount of money with Escrow Agent as determined by Buyer's

environmental consultant, sufficient to clean up or remediate such hazardous wastes or substances in accordance with all Governmental Regulations. The representations and warranties set forth in this paragraph shall survive Closing for the Survival Period.

7.2.13 Storage Tanks. To Seller's actual knowledge without further inquiry, no storage tank (whether above or below ground) has been located or used on any portion of the Property, excluding only such above ground storage tanks that have been used to store fuel and quantities of farm chemicals reasonably necessary for the growing and maintenance of crops, which above ground storage tanks, to Seller's actual knowledge without further inquiry, at all times during Seller's ownership of the Property have been stored and maintained in accordance with manufacturer recommendations and in accordance with all federal, state and local laws, codes, regulations and ordinances.

7.2.14 Historical Sites. Seller has not received written notice that any portion of the Property has been designated a site or area of archeological or historical significance.

7.2.15 Burial Plots. Seller has not received written notice that any portion of the Land has been used as a human burial plot or site.

7.2.16 Habitat. Seller has not received written notice that any portion of the Property has been designated as, or is eligible for designation as, a critical habitat for a threatened or endangered species under the Endangered Species Act of 1973, 16 U.S.C. §§ 1531-1534, except that Seller discloses to Buyer that Seller believes some portion of the Land may be located in secondary habitat for the Florida panther; provided that if a portion of the Land is located in a secondary habitat for the Florida panther, to the Seller's knowledge such habitat does not materially adversely impact the use of the Land for agricultural purposes, nor is Seller aware of any current or proposed regulations or restrictions that would materially adversely impact the use of the Land for agricultural purposes as a result of a portion of the Land being a secondary habitat for the Florida panther.

7.2.17 Contracts. Other than Permitted Encumbrances, there are no contracts or agreements related to the marketing or processing of crops that may be grown on the Land (or any portion thereof), nor the use, ownership or operation of the Property which would be binding upon Buyer after the Closing, except as specified below. Seller has entered into the leases or agreements relating to the Property identified on attached **Exhibit "E"** which will be provided by Seller to Buyer within fifteen (15) days after the Effective Date of this Agreement and which will survive the closing of this Agreement.

7.2.18 Eminent Domain. To the best of Seller's knowledge, there are no pending or threatened governmental proceedings in eminent domain with respect to any portion of the Property.

7.2.19 ERISA Compliance. (i) Seller is not an "employee benefit plan" as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974 ("ERISA"), which is subject to Title I of ERISA, or a "plan" as defined in Section 4975(e)(1) of the Code, which is subject to Section 4975 of the Code; (ii) the Property and the assets of Seller do not constitute "plan assets" of one or more such plans for purposes of Title I of ERISA or Section 4975 of the Code; (iii) for purposes of Section 3(14) of ERISA, Seller is not a party in interest with Buyer; and (iv) transactions by or with Seller are not in violation of state statutes applicable to Seller that regulate investments of and fiduciary obligations with respect to governmental plans.

7.2.20 OFAC Compliance. Seller has not been designated as a "specifically designated national and blocked person" on the most current list published by the Office of Foreign Asset Control of the U.S. Department of the Treasury ("OFAC") at its official website (<http://www.treas.gov/ofac/t11sdn.pdf>) or at any replacement website or other replacement official publication of such list (collectively, the "List"); (ii) is currently in compliance with and will at all times during the term of this Agreement (including any extension thereof) remain in compliance with the regulations of OFAC and any statute, executive order (including the September 24, 2001 Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action relating thereto; and (iii) will not transfer or permit the transfer of any controlling interest in Seller to any person or entity who is, or any of whose beneficial owners are, listed on the List.

7.2.21 Foreign Person. Seller is not a "foreign person" within the meaning of Sections 1445(f)(3) and 7701(a)(3) of the Internal Revenue Code of 1986, as amended, and is not subject to any federal, state or local withholding obligation of Buyer under the tax laws applicable to Seller or the Property.

7.2.22 Recertification. From the Effective Date through the Closing Date, Seller shall be obligated to notify Buyer of the existence of any condition or fact of which Seller becomes aware which Seller would have been obligated to disclose to Buyer pursuant to this Agreement if it had knowledge of such fact or condition on or prior to the Effective Date. Each of the disclosures shall, as to such disclosure, reopen Buyer's Inspection Period for three (3) business days and shall be subject to the provisions of Section 4.5.

7.3. Completeness.

7.3.1 Complete Information. All instruments, documents, lists, schedules and items required to be delivered to Buyer hereunder will fairly present the information set forth in a manner that is not misleading and will be true, complete and correct in all respects on the date of delivery and upon the Closing, as they shall be updated, modified or supplemented in accordance with this Agreement, including any information regarding the Reports, Licenses, Equipment and Warranties and Guaranties.

7.3.2 Contracts. There are no agreements, contracts or service agreements other than the Permitted Encumbrances pertaining to the Property and Seller will not enter any agreements, contracts or services agreements affecting the Property or its operation after the Effective Date of this Agreement which is not cancelable without penalty at or prior to Closing, without Buyer's written approval.

7.3.3 Leases. There are no leases, subleases, occupancies or tenancies in effect pertaining to the Property, except for the Sublease.

7.3.4 Licenses and Permits. To the best of Seller's knowledge, there is no current default or breach under the terms and provisions of any of the Licenses and Permits and the Licenses and Permits have not been, and will not be, amended or modified except as disclosed in writing to Buyer and except as necessary for renewal.

7.3.5 Employees. There are no employees of Seller who would become employees of Buyer as a result of the purchase of the Property by Buyer.

7.3.6 Personal Property. All Personal Property owned by Seller that benefits the Property only is located on the Property.

7.4. General.

7.4.1 General Representation. To the best of Seller's knowledge, no representation, warranty or statement of Seller in this Agreement or in any document, certificate or schedule furnished or to be furnished to Buyer pursuant hereto contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements or facts contained therein not misleading. The foregoing representation shall survive Closing for a period of eighteen (18) months.

Seller's representations and warranties made in this Article 7 shall be true and correct as of the Closing with the same force and effect as if remade by Seller in a separate certificate at that time.

ARTICLE 8

BUYER'S REPRESENTATIONS AND WARRANTIES

In addition to any express agreements of Buyer contained herein, the following constitute representations, warranties and/or covenants of Buyer to Seller.

8.1. Power. Buyer has the legal power, right and authority to enter into this Agreement and the instruments referenced herein, and to consummate the transactions contemplated hereby.

8.2. Requisite Action. All requisite action (corporate, trust, partnership or otherwise) has been taken by Buyer in connection with the entering into of this Agreement and the instruments referenced herein, and the consummation of the transactions contemplated hereby.

8.3. Authority. The individuals executing this Agreement and the instruments referenced herein on behalf of Buyer have the legal power, right and actual authority to bind Buyer to the terms and conditions hereof and thereof.

8.4. Validity. This Agreement and all documents required hereby to be executed by Buyer are and shall be valid, legally binding obligations of and enforceable against Buyer in accordance with their terms.

8.5. No Conflicts. Neither the execution and delivery of this Agreement and documents referenced herein, nor the incurrence of the obligations set forth herein, nor the consummation of the transactions herein contemplated, nor compliance with the terms of this Agreement and the documents referenced herein conflict with or result in the material breach of any terms, conditions or provisions of, or constitute a default under, any bond, note, or other evidence of indebtedness or any contract, indenture, mortgage, deed of trust, loan, partnership agreement, lease or other agreements or instruments to which Buyer is a party.

8.6. General Representation. No representation, warranty or statement of Buyer in this Agreement or in any document, certificate or schedule furnished or to be furnished to Seller pursuant hereto contains or will contain any untrue statement or a material fact, omits or will omit

to state a material fact necessary to make the statements or facts contained therein not misleading. Buyer's representations and warranties made in this Article 8 shall be continuing and shall be true and correct as of the Closing with the same force and effect as if remade by Buyer in a separate certificate at that time.

ARTICLE 9

COVENANTS OF BUYER AND SELLER

9.1. Operation of the Property Through the Closing.

9.1.1 **Operation.** Seller hereby agrees, through and including the Closing and at the Seller's sole cost and expense, to (a) keep all existing insurance policies affecting the Property in full force and effect, (b) provide all services and to continue to operate, manage and maintain the Property and the crops growing thereon, including mechanical equipment of every kind used in the operation thereof, which shall be in good working condition at Closing, (c) comply with all Governmental Regulations, (d) keep Buyer timely advised of any repair or improvement required to keep the Property in such condition as aforesaid and which costs in excess of Fifteen Thousand Dollars (\$15,000.00), and (e) furnish Buyer with copies of all notices, citations, letters, lawsuits or other correspondence or memoranda from any Authority, employee, vendor, creditor, neighbor or party to any contract.

9.1.2 **Leases.** Seller hereby agrees that Seller will not enter into any leases of the Property, except the Lease.

9.1.3 **No Conveyance.** Seller will not, without the prior written consent of Buyer, convey any interest in the Property (or any portion thereof), and Seller will not subject the Property to any additional liens, encumbrances, covenants, conditions, easements, rights of way or similar matters after the date of this Agreement which will not be eliminated prior to the Closing.

9.1.4 **No Alterations.** Seller will not make any alterations to the Property except for farming practices consistent with Seller's normal business and farming operations and the normal business and farming operations of United States Sugar Corporation.

9.1.5 **Notice to Buyer.** Seller shall promptly notify Buyer of any material change in any condition with respect to the Property or of any event or circumstance which makes any information in its Due Diligence Materials or any representation or warranty of Seller under this Agreement untrue or misleading, or any covenant of Seller under this Agreement incapable or less

likely of being performed, it being understood that the Seller's obligation to provide notice to Buyer shall in no way relieve Seller of any liability for a breach by Seller of any of its representations, warranties or covenants under this Agreement.

9.1.6 Notice to Seller. Buyer shall promptly notify Seller of any change in any condition with respect to the Property or of any event or circumstance which makes any representation or warranty of Buyer under this Agreement untrue or misleading, or any covenant of Buyer under this Agreement incapable or less likely of being performed, it being understood that the Buyer's obligation to provide notice to Seller shall in no way relieve Buyer of any liability for a breach by Buyer of any of its representations, warranties or covenants under this Agreement.

9.2. Broker. Seller represents and warrants to Buyer, and Buyer represents and warrants to Seller, that no broker or finder has been engaged by it, respectively, in connection with any of the transactions contemplated by this Agreement, or to its knowledge is in any way connected with any of such transactions. In the event of any such claims for brokers' or finders' fees or commissions in connection with the negotiation, execution or consummation of this Agreement, then Buyer shall indemnify, save harmless and defend Seller from and against such claims if they shall be based upon any action, statement, representation or agreement by Buyer, and Seller shall indemnify, save harmless and defend Buyer if such claims shall be based upon any actions, statement, representation or agreement made by Seller, such indemnities to include all reasonable attorneys' fees and costs incurred by the party being indemnified. The indemnification provisions set forth in this paragraph shall survive Closing for the Survival Period.

9.3. Railroad Tract. Seller shall retain 200 acres through the 2x6 and Collins Slough tracts (identified on Exhibit A) in such configuration and having boundary lines that are acceptable to Seller in its sole discretion for the use as a future railroad site subject however to the following: (a) Buyer shall have the right of ingress and egress over and across the Railroad Tract in such locations as identified on attached **Exhibit "F"** and (b) Buyer shall have loading access to any new railroad construction in one (1) location identified on attached **Exhibit "G"**. Both Exhibit F and Exhibit G shall be provided by Seller to Buyer within fifteen (15) days after the Effective Date of this Agreement.

Seller shall grant Buyer an easement specifying these ingress, egress and loading rights, and furthermore Buyer shall grant to Seller a mutually acceptable ingress and egress easement giving Seller access to the Railroad Tract. Such easements shall be in such form as mutually agreed upon by the parties, shall be recorded in the County real property records, and shall constitute covenants running with the land (collectively the "RR Easements").

The Base Purchase Price shall be adjusted downward by the Railroad Tract Valuation, which shall be calculated by adding (a) the Farmable Acres included in the Railroad Tract multiplied by \$4,000 and (b) the Support Acres included in the Railroad Tract multiplied by \$1,163.

In the event that the designation of the Railroad Tract results in the dissection of Farmable Acres outside of the Railroad Tract that causes material impairment of production, irrigation, drainage or other agricultural characteristics of said Farmable Acres, Seller shall either (a) agree to a remediation plan that is reasonably satisfactory to Buyer, and Seller shall pay the estimated costs of said remediation plan to Buyer at Closing or (b) accept an adjustment of the Base Purchase Price in an amount equal to the Railroad Tract Impaired Acreage Valuation. The Railroad Tract Impaired Acreage Valuation shall be calculated by multiplying the number of Farmable Acres that lie outside of the Railroad Tract that are impaired by \$4,000.

Both Seller and Buyer acknowledge that the permitting and engineering processes could result in the need for a change in the location of the Railroad Tract at some undetermined point in the future. The parties agree that if such determination is made, the parties will endeavor to negotiate an exchange of properties (including the negotiation, execution and recordation of a new Easement), subject to the following: (a) any tract identified by Seller as an exchange candidate for the Railroad Tract shall not be greater than three hundred (300) acres in aggregate, (b) any potential property exchange will be executed based on an independent appraisal of the value per acre for Farmable Acres and Support Acres to be included in the new tract, and (c) any impairment to Farmable Acres outside of the proposed exchange candidate for the Railroad Tract will be subject to remediation by Seller or a financial adjustment analogous to the process outlined in the previous paragraph.

ARTICLE 10

REMEDIES

10.1. Liquidated Damages; Seller's Remedies. In the event the Closing and the consummation of the

transaction herein contemplated do not occur as provided in this Agreement by reason of any breach of Buyer, Buyer and Seller agree that it would be impractical and extremely difficult to estimate the damages which Seller may suffer as a result thereof. Therefore, Buyer and Seller agree that a reasonable estimate of the total net detriment that Seller would suffer in the event that Buyer breaches this agreement and fails to complete the purchase of the Property is and shall be, as Seller's sole and exclusive remedy (whether at law or in equity), and as the full, agreed and liquidated damages for such breach, an amount equal to the Deposit. Upon any such breach by Buyer, unless otherwise specified, this Agreement shall be terminated and neither party shall have any further rights or obligations hereunder, each to the other, except for the right of Seller to collect such liquidated damages from Buyer and Escrow Agent.

10.2. Buyer's Remedies. In the event Seller fails to perform its obligations pursuant to this Agreement for any reason (except due to a failure of Seller to use good faith efforts to cure any Title Defects or any failure by Buyer to perform under this Agreement) then Buyer may: (a) terminate this Agreement by giving Seller timely written notice of such election prior to or upon the Closing Date, and Buyer shall be entitled to recover from Escrow Agent the entire portion of the Deposit actually received by Escrow Agent and, in the event Seller fails to use good faith efforts to perform its obligations pursuant to this Agreement or fails to use good faith efforts to cause any condition herein to be satisfied after reasonable notice, then Buyer shall also have the right to pursue any other rights available to Buyer at law or equity; or (b) enforce specific performance of this Agreement, without a claim for damages, notwithstanding such failure or breach by Seller. Anything in this Agreement to the contrary notwithstanding, Buyer waives any special, indirect or consequential damages for a pre-Closing breach by Seller.

10.3. Attorneys' Fees. If any action or proceeding is commenced by either party to enforce its rights or remedies under this Agreement, the prevailing party in such action or proceeding, including any bankruptcy, insolvency or appellate proceedings, shall be entitled to recover its reasonable attorneys' fees and court costs incurred therewith.

ARTICLE 11

CONDEMNATION AND DESTRUCTION

11.1. Eminent Domain or Taking. If, prior to the Closing, any material portion of the Land is taken by eminent domain or otherwise (or is the subject of a pending, threatened or contemplated taking which has not been consummated), Seller shall immediately notify Buyer thereof. In such event, Buyer shall have the option, in its sole and absolute discretion, to terminate this Agreement upon written notice to Seller given not later than thirty (30) days after receipt of Seller's notice. For purposes hereof, "material" shall be deemed to be any taking where access to any portion of the Land is reduced or restricted or where the Property cannot be fully used for its intended purpose, or where the amount of compensation expected to be paid is estimated to equal or exceed \$50,000.00. If Buyer does not exercise this option to terminate this Agreement, or if there has not been a material taking by eminent domain or otherwise to give rise to such option, neither party shall have the right to terminate this Agreement, but the Seller shall assign and turn over, and the Buyer shall be entitled to receive and keep, all awards for the taking by eminent domain which accrue to Seller and the Buyer and Seller shall proceed to the Closing pursuant to the terms of this Agreement, without modification of the terms of this Agreement and without any reduction in the Purchase Price. Unless or until this Agreement is terminated, Seller shall take no action with respect to any eminent domain proceeding without the prior written consent of Buyer.

11.2. Fire or Casualty. Prior to the Closing, and notwithstanding the pendency of this Agreement, the entire risk of loss or damage by flood, fire or other casualty shall be borne and assumed by Seller, except as otherwise provided in this Paragraph 11.2. If, prior to the Closing, any part of the Property is damaged or destroyed by flood, fire or other casualty, Seller shall repair such damage and destruction and keep this Agreement in full force and effect so long as such repair can be and is completed by Seller prior to the Closing Date. If such repairs are not completed prior to the Closing Date, then Seller shall assign and turn over, and Buyer shall be entitled to receive and keep, all insurance proceeds payable to it with respect to such destruction (which shall then be repaired or not at Buyer's

option and cost), plus Seller shall pay over to Buyer at the Closing an amount equal to the deductible and any co-insurance amount with respect to the insurance together with the amount of all damages and costs not covered by insurance, Seller shall pay at or prior to Closing all amounts owed to any third parties engaged to repair such damage as of Closing, and Buyer and Seller shall proceed to the Closing pursuant to the terms of this Agreement without modification of the terms of this Agreement and without any reduction in the Purchase Price. Buyer shall have the right to participate in any adjustment of the insurance claim.

ARTICLE 12

SALES AND USE TAXES

On or prior to the Closing Date, Seller shall pay all sales and use taxes arising from or attributable to the business and operation of the Property as conducted by Seller prior to the Closing. Seller hereby agrees to indemnify, hold harmless and defend Buyer for any loss, damage, liability, claim or expense (including, without limitation, reasonable attorney fees and expenses) by reason of any breach of the foregoing covenants, representations or warranties. The provisions of this paragraph shall survive Closing for a period of five (5) years.

ARTICLE 13

INDEMNITY

Seller shall and hereby agrees to indemnify, hold harmless and defend Buyer for any loss, damage, liability, claim or expense (including, without limitation, reasonable attorneys' fees and expenses) relating to, arising out of or on account of claims of Seller's creditors or employees arising from Seller's failure to pay such creditors or employees for services rendered prior to the Closing. The provisions of this paragraph shall survive Closing for the Survival Period.

ARTICLE 14

MISCELLANEOUS

14.1. Entire Agreement. This Agreement (including all Exhibits attached hereto) is the final expression of and contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior understandings with respect thereto, except as provided in the Non-Disclosure Agreement between the parties dated April 7, 2014. This Agreement may not be modified, changed, supplemented or

terminated, nor may any obligations hereunder be waived, except by written instrument signed by the party to be charged or by its agent duly authorized in writing or as otherwise expressly permitted herein. Buyer and Seller do not intend to confer any benefit hereunder on any person, firm or corporation other than the parties hereto. Escrow Agent need not be a party to any modification of this Agreement (or any waiver of any terms and conditions of this Agreement) unless such modification (or waiver) affects the rights, duties or obligations of Escrow Agent hereunder.

14.2. Agreement Binding on Parties: Assignment. This Agreement, and the terms, covenants, and conditions herein contained, shall inure to the benefit of and be binding upon the heirs, personal representatives, successors, and assigns of Buyer and Seller. Buyer may not assign this Agreement to anyone without the Seller's prior written consent; provided however, Seller's written consent shall not be required for an assignment of this Agreement to an Affiliate of Buyer; on the following conditions: (a) such assignment shall not constitute a release of Buyer's liability under this Agreement, and (b) Buyer provides written notice of such assignment to its Affiliate at least five (5) business days prior to the Closing Date.

14.3. Notice. Any notice, communication, request, reply or advice (collectively, "Notice") provided for or permitted by this Agreement to be made or accepted by Buyer or Seller must be in writing. Notice may, unless otherwise provided herein, be given or served (a) by delivering the same to such party, or an agent of such party, in person or by commercial courier, (b) by facsimile or electronic transmission, evidenced by confirmed transmission and concurrently followed by a "hard" copy of same delivered to the party by personal delivery or overnight delivery pursuant to clauses (a) or (c) hereof, or (c) by depositing the same into custody of a nationally recognized overnight delivery service such as Federal Express, Overnight Express, United Parcel Service or Airborne Express. Notice deposited in the manner described in (c) hereinabove shall be deemed timely given on next business day. Notice given by facsimile or electronic transmission shall be effective upon completion of transmission if between the hours of 8:00 A.M. and 5:00

P.M. (at the place of receipt) on any business day with delivery made after such hours to be deemed delivered the following business day. Notice given in any other manner shall be effective only if and when received by the party to be notified between the hours of 8:00 A.M. and 5:00 P.M. of any business day with delivery made after such hours to be deemed received the following business day. For the purposes of Notice, the addresses of Seller, Buyer, Escrow Agent and Title Agent shall, until changed as hereinafter provided, be as set forth in Article 1. Buyer and Seller shall have the right from time to time to change their respective addresses, and each shall have the right to specify as its address any other address within the United States of America by at least five (5) days written Notice to the other party.

14.4. No Recordation. Without the prior written consent of Seller, there shall be no recordation of either this Agreement or any memorandum hereof, or any affidavit pertaining hereto.

14.5. Third Party Beneficiaries/Parties in Interest. This Agreement has been entered into solely for the benefit of the parties to this Agreement and their respective successors and assigns. Nothing in this Agreement is intended or shall be construed to confer any rights or remedies under or by reason of this Agreement on any persons or entities other than the parties to it and their respective successors and assigns. Nothing in this Agreement is intended to relieve or discharge the obligation or liability of any third person to any party to this Agreement.

14.6. Partial Invalidity. If any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each such term and provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

14.7. Waivers. No waiver of any breach of any covenant or provision herein contained shall be deemed a waiver of any preceding or succeeding breach thereof, or of

any other covenant or provision herein contained. No extension of time for performance of any obligation or act shall be deemed an extension of the time for performance of any other obligation or act.

14.8. Survival of Representations. The covenants, agreements, representations and warranties made herein shall survive the Closing until the expiration of the Survival Period or such later date as may be specifically set forth herein, whereupon such covenants, agreements, representations and warranties shall be of no further force or effect unless otherwise specifically provided herein.

14.9. Time of Essence. Seller and Buyer hereby acknowledge and agree that time is strictly of the essence with respect to each and every term, condition, obligation and provision hereof and that failure to timely perform any of the terms, conditions, obligations or provisions hereof by either party shall constitute a material breach of and a non-curable (but waivable) default under this Agreement by the party so failing to perform.

14.10. Construction. Headings at the beginning of each paragraph and subparagraph are solely for the convenience of the parties and are not a part of the Agreement. Whenever required by the context of this Agreement, the singular shall include the plural and the masculine shall include the feminine and vice versa. This Agreement shall not be construed as if it had been prepared by one of the parties, but rather as if both parties had prepared the same. Unless otherwise indicated, all references to paragraphs and subparagraphs are to this Agreement. All exhibits referred to in this Agreement and the Glossary of Terms are attached and incorporated by this reference.

14.11. Business Day. If any date or any period provided in this Agreement shall end on a Saturday, Sunday or legal holiday, the applicable date or period shall be extended to the first business day following such Saturday, Sunday or legal holiday.

14.12. Currency. All dollar amounts are expressed in United States currency.

14.13. Multiple Counterparts. This Agreement may be executed in multiple counterparts (each of which is to be deemed original for all purposes). Facsimile or electronic copies of this Agreement shall be deemed originals for all purposes.

14.14. Governing Law. Seller and Buyer acknowledge that this Agreement has been negotiated and entered into in the State. Seller and Buyer expressly agree that this Agreement shall be governed by, interpreted under, and construed and enforced in accordance with the laws of the State.

14.15. Radon Gas. Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from your county public health unit.

14.16. Waiver of Jury Trial. Buyer and Seller agree that any litigation arising out of this Agreement or instituted by any party in interest to enforce any of the terms of this Agreement shall be tried without jury, and no jury trial shall be sought or maintained by either party or their respective successors and assigns, in any lawsuit, proceeding, counterclaim, or any other litigation procedure based upon, or arising out of this Agreement, or the dealings or the relationship among Buyer and Seller.

14.17. Seller's Knowledge Defined. When the term "knowledge" is used herein in connection to Seller's knowledge, and furthermore when a statement is made as to what is or may be "known" by the Seller or what the seller is or may be "aware of", or similar such statements, said terms and statements mean only the actual knowledge of Clayton G. Wilson and/or Kenneth J. Smith and shall not be construed, by imputation or otherwise, to refer to the knowledge of any other officer, agent, manager, representative or employee of Seller or any affiliate of Seller. In no event will Buyer have any personal claim against the above-named individuals as a result of the reference thereto in this Section 14.17 and Buyer waives and releases all such claims which Buyer now has or may

later acquire against such individuals in connection with the transactions contemplated in this Agreement.

14.18. Tax Free Exchange. Buyer acknowledges that Seller may engage in a Section 1031 tax-free exchange in connection with this transaction. Buyer agrees to cooperate with Seller and any exchange intermediary in effecting the exchange in accordance with Section 1031 of the Internal Revenue Code of 1986, as amended, including execution of any documents that may be reasonably necessary to effect the exchange, provided, however, that Seller shall bear all additional costs incurred in connection with such tax-free exchange

ARTICLE 15

NON DISCLOSURE

Prior to and after the Closing, any release to the public of information with respect to the sale contemplated herein, this Agreement or any matters set forth in this Agreement, whether in press releases or otherwise will be made only after written consent is obtained from Buyer and Seller; provided, however, Seller and Buyer after receipt of written consent from the other shall be permitted to make such disclosures as may be required in order to comply with all financial reporting and securities laws applicable to Buyer or Seller, responses to subpoenas and/or court orders, which consent to such proposed disclosures shall not be unreasonably withheld, delayed or conditioned. However, Seller shall not refer to any affiliates of Terra Land Company, other than any assignee of Buyer's rights under this Agreement in any required filings or otherwise. The provisions of this Article 15 shall survive the Closing or any termination of this Agreement for a period of five (5) years.

ARTICLE 16

EXCLUSIVITY

Seller agrees that until the termination of this Agreement, it shall neither negotiate with anyone, nor enter into any agreement, backup contract, understanding, memorandum or option agreement regarding the sale or the lease of the Land.

IN WITNESS WHEREOF, Seller and Buyer have executed this Agreement as of the date and year written below.

SELLER:

ALICO, Inc.
a Florida corporation

Date: August 7, 2014

By: /s/ Clayton G. Wilson
Clayton G. Wilson, CEO

BUYER:

TERRA LAND COMPANY,
an Illinois corporation

Date: August 7, 2014

By: /s/ Kenny Traynon
Print Name: Kenny Traynon
Its: Vice President

JOINDER BY ESCROW AGENT

Jones, Foster, Johnston & Stubbs, P.A. referred to in this Agreement as the “Escrow Agent,” hereby acknowledges that it received this Agreement executed by Seller and Buyer on the 8th day of August, 2014, and accepts the obligations of and instructions for the Escrow Agent as set forth herein. It further acknowledges that upon receipt of the Deposit, subject to clearance if the Deposit was delivered by check. The Escrow Agent hereby agrees to receive, hold and distribute the Deposit in accordance with the terms and provisions of this Agreement.

DATE: August 8, 2014

JONES, FOSTER, JOHNSTON & STUBBS, P.A.

By: Larry B. Alexander
Larry B. Alexander, Chairman

EXHIBIT LIST

EXHIBIT "A"	LEGAL DESCRIPTION OF LAND
EXHIBIT "A-1"	LEGAL DESCRIPTION OF HILLGRADE TRACT
EXHIBIT "A-2"	LEGAL DESCRIPTION OF COLLINS SLOUGH TRACT
EXHIBIT "A-3"	LEGAL DESCRIPTION OF 2X6 TRACT
EXHIBIT "A-RR"	RAILROAD –RIGHT-OF-WAY
EXHIBIT "B"	LEASE
EXHIBIT "C"	RECIPROCAL ACCESS EASEMENT DEPICTION
EXHIBIT "D"	DUE DILIGENCE MATERIALS
EXHIBIT "E"	CONTRACTS THAT SURVIVE CLOSING
EXHIBIT "F"	RAILROAD CROSSING LOCATION
EXHIBIT "G"	RAILROAD LOADING ACCESS LOCATION

EXHIBIT "A"

LEGAL DESCRIPTION OF LAND, IS SET FORTH ON EXHIBITS A-1, A-2 AND A-3 AS FOLLOWS:

EXHIBIT "A-1"

LEGAL DESCRIPTION OF HILL GRADE TRACT

EXHIBIT "A-2"

LEGAL DESCRIPTION OF COLLINS SLOUGH TRACT

EXHIBIT "A-3"

LEGAL DESCRIPTION OF 2X6 TRACT

EXHIBIT "A-RR"

RAILROAD RIGHT-OF-WAY

EXHIBIT "B"

LEASE

EXHIBIT "C"

RECIPROCAL ACCESS EASEMENT DEPICTION

EXHIBIT "D"

DUE DILIGENCE MATERIALS

1. Copy of Seller's Incorporation documents, as amended since formation
 2. Copy of Seller's Bylaws as currently in effect
 3. Good standing certificates from state of incorporation of Seller
 4. List of the current officers and directors of the Seller
 5. Copy of Current Deeds for Land
 6. List of all buildings and improvements on the Land
 7. Copy of Existing Title Policies relating to the Land, with legible copies of all exceptions, whether recorded or unrecorded referenced in such title insurance policies
 8. Copies of all existing surveys relating to the Land
 9. Copies of all irrigation and soil tests, inspections and evaluation of the Land
 10. Copies of all written contracts, leases and subleases relating to the Land and summaries of the material terms of any verbal leases or agreements related to the Land
 11. Copies of all environmental reports or studies relating to the presence or absence of hazardous substance relating to the Land
 12. Copies of all reports or studies pertaining to geological, archaeological, physical or historical conditions of the Land
 13. Copies of all documents filed with the FSA offices and/or any other U.S. Department of Agriculture office with respect to the Land or the crops grown thereon over the past three (3) years
 14. List of all above ground or underground storage tanks located on the Land
 15. Copies of the last three (3) years of tax bills for the Property
 16. Copies of current assessment notices for the Property
 17. Copies of all federal, state, county or local permits, licenses, etc. relating to the Property or the operation thereof, and all amendments thereto
 18. List of all personal property located on the Land and to be included in the transaction
 19. Information regarding to crop yields for the last 5 years
 20. Copies of all tile and/or irrigation maps
 21. Copies of all management agreements relating to the Property
 22. Copies of all water and improvement district assessments and
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information

23. Copies of all option agreements, purchase or sale contracts, leases, subleases and licenses (including without limitation any agricultural leases and any leases of oil, gas or mineral rights, and all leases or licenses to mine or extract sand, rock or gravel, or any portion thereof), development agreements, or any other contracts (including amendments thereto) relating to the Property, or to the actual or potential purchase, sale, lease, use, occupancy or development of the Property
 24. Copies of all reports, logs, maps, diagrams and other records used in connection with or otherwise relating to the wells, soils, crop histories, and agricultural operations on or otherwise relating to the Property
 25. Copies of all easements or encumbrances relating the Property
 26. List and status of all pending or threatened litigation relating to the Seller or the Property with a brief description for each claim of basis for claim, remedies sought, etc., including name of court or agency in which the proceeding is pending, the date instituted, and the principal parties thereto and the name(s) of the attorney(s) representing the Seller. Also, a list of any governmental orders or proceedings to which the Seller is subject.
 27. List of any governmental orders or proceedings to which the Seller is subject and relates to the Property or the operation thereof
 28. Copies of material correspondence with regulatory bodies relating to the Property or the operation thereof
 29. Copies of any environmental or other regulatory reports and status of any investigations
 30. Copies of all aerial photographs and soil map/information and/or description of soils
 31. List of crops grown on the Land for the last five years and the production history
 32. Description of all insurance policies currently carried with respect to the Property and the operation thereof
 33. Description of any insurance claims made with respect to the Property during the last five years
 34. A list of all pumps, motors and other irrigation equipment at the Property, including serial numbers, model and make, of such pumps, motors and equipment, where available
 35. A list of all warranties and guaranties regarding the Improvements and Personal Property, including copies thereof and all amendments
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36. Copies of all contracts between Seller and United States Sugar Corporation currently in effect.
 37. Copies of Seller's railroad siding, loading and right-of-way agreements with United States Sugar Corporation and/or its affiliated railroad, if any.
 38. Any other documents or information which, in your judgment, are material to the Property or Seller's operation thereof or which should be considered and reviewed in making disclosures regarding the Property
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EXHIBIT E

CONTRACTS THAT SURVIVE CLOSING

EXHIBIT F

RAILROAD CROSSING LOCATION



EXHIBIT G

RAILROAD LOADING ACCESS LOCATION

Real Estate Tenn Loan: 10053500
Real Estate Line of Credit: 10053600
/jim

FIFTH AMENDMENT TO CREDIT AGREEMENT AND OTHER LOAN DOCUMENTS

This FIFTH Amendment to Credit Agreement and other Loan Documents ("Amendment") is entered into and is dated and made effective as of April 28, 2014 between ALICO, INC., a Florida corporation; ALICO-AGRI, LTD., a Florida limited partnership; ALICO PLANT WORLD, L.L.C., a Florida limited liability company; ALICO FRUIT COMPANY, LLC (f/k/a Bowen Brothers Fruit, LLC, a Florida limited liability company); ALICO LAND DEVELOPMENT, INC., a Florida corporation; and ALICO CITRUS NURSERY, LLC, a Florida limited liability company (individually and collectively, the "Borrower") and RABO AGRIFINANCE, INC., a Delaware corporation (the "Lender"). The Borrower and the Lender agree as follows:

PRELIMINARY STATEMENT. The Borrower and the Lender have entered into the Credit Agreement dated as of September 8, 2010, as amended by (i) the First Amendment to Credit Agreement dated as of August 1, 2011, (ii) the Second Amendment to Credit Agreement dated as of December 21, 2011, (iii) the Third Amendment to Credit Agreement dated as of June 11, 2012 and (iv) the Fourth Amendment to Credit Agreement dated as of April 1, 2013 (said agreement as amended by any and all modifications or amendments thereto is hereinafter referred to as the "Credit Agreement". The terms defined in the Credit Agreement are used herein as therein defined).

Borrower and Lender wish to amend certain provisions of the Credit Agreement.

NOW, THEREFORE, Borrower and Lender agree as follows:

1. **Assumption.** ALICO CITRUS NURSERY, LLC, a Florida limited liability company (hereinafter, individually and collectively, referred to as "Assumptor") joins in, assumes and agrees, jointly and severally with all other existing Borrowers, to pay the Obligations evidenced by the Credit Agreement and Note and be bound by and to perform all of the covenants of any other Loan Documents executed by Borrower in connection with the Credit Agreement and Note at the time and in the same manner provided. Assumptor hereby authorizes Lender, without obtaining the signature of Assumptor, to file financing statements or amendments to existing financing statements in order to perfect the lien, if any, granted by Assumptor under the Collateral Documents. The Assumptor will hereinafter be referred to as a Borrower along with the existing Borrowers.

2. **Representations and Warranties.** Borrower represents and warrants that:

(a) All representations made by Borrower to Lender in the Credit Agreement are true and correct as if first made as of the date of this agreement;

(b) the execution, delivery and performance by Borrower of this agreement and the Credit Agreement, as amended by this agreement, are within Borrower's powers, have been duly authorized by all necessary company action and do not contravene Borrower's articles of organization or operating agreement, as applicable, or any law or any contractual restriction binding on or affecting Borrower, or result in, or require, the creation of any lien, security interest or other charge or encumbrance upon or with respect to any of the Borrower's properties, other than in favor of Lender;

(c) no authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by Borrower of this agreement or the Credit Agreement, as amended by this agreement;

(d) this agreement and the Credit Agreement, as amended by this agreement, constitute, legal, valid and binding obligations of Borrower enforceable against Borrower in accordance with their respective terms; and

(e) no Event of Default or event which, with the giving of notice or the passage of time would be an Event of Default has occurred, unless waived by the terms and conditions of this agreement.

3. **Modification Agreement.** This agreement does not release or extinguish the Obligations under the Credit Agreement. All Collateral granted to or for the benefit of Lender for purposes of securing the Obligations also secures the Obligations under the Credit Agreement, as amended by this agreement; and Borrower reaffirms the terms and provisions of all Collateral Documents.

4. **WAIVER OF PRIOR CLAIMS.** BORROWER WAIVES AND RELEASES ANY AND ALL CLAIMS AGAINST LENDER, ITS PARENT, SUBSIDIARIES, AFFILIATES AND ITS MERGED PREDECESSOR, AG SERVICES OF AMERICA, INC., THE SUBSIDIARY OF SUCH PREDECESSOR, AG ACCEPTANCE CORPORATION, AND THE RESPECTIVE SUCCESSORS, ASSIGNS, PARTICIPANTS, AGENTS AND EMPLOYEES OF EACH AND ALL OF THE FOREGOING, RELATING OR PERTAINING TO OR AS A RESULT OF THE EXISTING LOANS, AND ANY OTHER ACT OR OMISSION WHICH HAS OCCURRED PRIOR TO THE EXECUTION OF THIS AGREEMENT, INCLUDING ALL CLAIMS OF USURY, FRAUD, DECEIT, MISREPRESENTATION, UNCONSCIONABILITY, DURESS, OR LENDER LIABILITY, ANY OTHER CLAIM IN TORT OR IN CONTRACT, OR FOR VIOLATION OF ANY LAW, RULE OR REGULATION.

5. Reference to and Effect on the Credit Agreement.

(a) On and after the date hereof, each reference in the Credit Agreement to “this agreement”, “hereunder” “hereof”, “herein” or words of like import shall mean and be a reference to the Credit Agreement as amended hereby.

(b) Except as specifically amended by any prior amendments, the Credit Agreement shall remain in full force and effect and is hereby ratified and confirmed.

(c) The execution, delivery and effectiveness of this amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of Lender under the Credit Agreement, nor constitute a waiver of any provision of the Credit Agreement.

6. Execution in Counterparts. This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument.

7. Expenses. The Borrower shall pay on demand all costs and expenses incurred by the Lender in connection with the preparation, execution, delivery, filing, and administration of this Amendment (including, without limitation, Legal Fees incurred in connection with the preparation of this Amendment and advising the Lender as to its rights, and the cost of any credit verification reports or field examinations of the Borrower’s properties or books and records). The Borrower’s obligations to the Lender under this Section shall survive termination of this Agreement and repayment of the Borrower’s obligations to the Lender under the Credit Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the date first above written.

BORROWER

ALICO, INC., a Florida corporation

By: /s/ Clayton G. Wilson
CLAYTON G. WILSON, President & Chief Executive
Officer

ALICO-AGRI, LTD., a Florida limited partnership

By: Alico, Inc., a Florida corporation, its General Partner

By: /s/ Clayton G. Wilson
CLAYTON G. WILSON, President & Chief Executive
Officer

ALICO PLANT WORLD, L.L.C., a Florida limited liability
company

By: Alico, Inc., a Florida corporation, its Manager

By: /s/ Clayton G. Wilson
CLAYTON G. WILSON, President & Chief Executive
Officer

ALICO FRUIT COMPANY, LLC, a Florida limited liability
company

By: Alico, Inc., a Florida corporation, its sole Member

By: /s/ Clayton G. Wilson
CLAYTON G. WILSON, President & Chief Executive
Officer

ALICO LAND DEVELOPMENT, INC., a Florida corporation

By: /s/ Clayton G. Wilson
CLAYTON G. WILSON, President

ALICO CITRUS NURSERY, LLC, a Florida limited liability
company

By: Alico, Inc., a Florida corporation, its sole Member

By: /s/ Clayton G. Wilson
CLAYTON G. WILSON, President & Chief Executive

LENDER

RABO AGRIFINANCE, INC., a Delaware corporation

By: /s/ Sue Harrison
SUE HARRISON
Assistant Vice President

Real Estate Term Loan: 10053500-gas
 Real Estate Line of Credit: 10053600-gas

SIXTH AMENDMENT TO CREDIT AGREEMENT AND OTHER LOAN DOCUMENTS

This Sixth Amendment to Credit Agreement and other Loan Documents ("**Amendment**") is entered into and is dated and made effective as of July 1, 2014 between ALICO, INC., a Florida corporation; ALICO-AGRI, LTD., a Florida limited partnership; ALICO PLANT WORLD, L.L.C., a Florida limited liability company; ALICO FRUIT COMPANY, LLC (f/k/a Bowen Brothers Fruit, LLC, a Florida limited liability company); ALICO LAND DEVELOPMENT INC., a Florida corporation; and ALICO CITRUS NURSERY, LLC, a Florida limited liability company (individually and collectively, the "Borrower") and RABO AGRIFINANCE, INC., a Delaware corporation (the "**Lender**"). The Borrower and the Lender agree as follows:

PRELIMINARY STATEMENT. The Borrower and the Lender have entered into the Credit Agreement dated as of September 8, 2010, as amended by the First Amendment to Credit Agreement dated as of August 1, 2011, the Second Amendment to Credit Agreement dated as of December 21, 2011, the Third Amendment to Credit Agreement dated as of June 11, 2012 and the Fourth Amendment to Credit Agreement dated as of April 1, 2013 and as amended by the Fifth Amendment to Credit agreement dated as of April 28, 2014 (said agreement as amended by any and all modifications or amendments thereto is hereinafter referred to as the "**Credit Agreement**." The terms defined in the Credit Agreement are used herein as therein defined).

Borrower and Lender wish to amend certain provisions of the Credit Agreement.

NOW, THEREFORE, Borrower and Lender agree as follows effective as of July 1, 2014:

1. **Interest – Term Loan. Section 1.02 Interest** of the Credit Agreement is hereby amended in its entirety as follows:

The unpaid principal balance of the Term Loan will bear interest at a rate equal to the one month LIBOR plus 2.250% per annum, Adjusted on the first day of each Term Loan Month (the "Term Loan LIBOR Indexed Rate"). The term "Term Loan Month" means the one month period beginning on the first day of the calendar month immediately following the Closing Date, and each successive one month period.

2. **Interest Margin Adjustment – Term Loan. Section 1.03 Interest Margin Adjustment** of the Credit Agreement is hereby amended in its entirety as follows:

(a) On July 1, 2016 and every two (2) years thereafter (the "Term Loan Margin Adjustment Date"), Lender may Adjust the Interest Rate Margin applicable to the Term Loan to any percent per annum (not to exceed five percent (5%)) determined by Lender.

(b) Lender shall notify Borrower of the new Interest Rate Margin applicable to the Term Loan not less than 30 days prior to the effective date of the Adjustment. The Adjusted Interest Rate Margin will become effective upon the applicable date of Adjustment; except that Borrower may, at its option, irrevocably elect to Prepay the entire unpaid principal balance of the Term Loan, all accrued interest and all other charges due under the Term Loan, by giving notice to Lender no later than the effective date of the Adjustment (a "Notice of Election to Prepay"). If there is a Notice of Election to Prepay, Borrower shall pay the entire unpaid principal balance of the Term Loan, all accrued interest and all other charges due under this agreement with respect to the Term Loan, without prepayment fee or penalty, within 90 days after the effective date of the Adjustment. If Lender does not receive a Notice of Election to Prepay Borrower will be deemed to have acknowledged and accepted the Adjustment. A Notice of Election to Prepay will not affect the effective date of the Adjustment of the Interest Rate Margin.

3. **Commitment Fee. Section 2.05 Commitment Fee** of the Credit Agreement is hereby amended in its entirety as follows:

During the Line of Credit Availability Period, Borrower shall pay an annual commitment fee equal to 0.200% of the difference between the annual average unpaid balance and the Line of Credit Committed Amount. The commitment fee shall be paid on February 1 of each year. The commitment fee with respect to any partial year will be prorated according to the ratio of the number of days in that partial year period to the number of days in the entire year.

4. **Interest – Line of Credit. Section 2.06** of the Credit agreement is hereby amended in its entirety as follows:

The unpaid principal balance of Loans under the Line of Credit will bear interest at a rate equal to the one month LIBOR plus 1.950% per annum, Adjusted on the first day of each Line of Credit Month (the "Line of Credit LIBOR Indexed Rate"). The term "Line of Credit Month" means the one month period beginning on the first day of the calendar month immediately following the Closing Date, and each successive one month period.

5. **Interest Margin Adjustment – Line of Credit. Section 2.07 Interest Margin Adjustment** of the Credit Agreement is hereby amended in its entirety as follows:

(a) Commencing on January 1, 2015 and on each January 1 thereafter (each a "Line of Credit Margin Adjustment Date"), Lender shall Adjust the Interest Rate Margin applicable to the Line of Credit to an Interest Rate Margin

determined pursuant to the Pricing Grid attached hereto as Exhibit A (that, and any replacement pricing grid, the "Pricing Grid") based on Borrower's Debt Service Coverage Ratio for the immediately preceding fiscal year.

(b) On July 1, 2016, and every two (2) years thereafter, Lender may Adjust the Interest Rate Margins set forth in the Pricing Grid applicable to the Line of Credit Loan to any percent per annum determined by Lender. Lender shall notify Borrower of the new Interest Rate Margins (and Pricing Grid) not less than 30 days prior to the applicable date of Adjustment. The Pricing Grid shall become effective upon the applicable date of Adjustment at the Debt Service Coverage Ratio category then in effect; except that Borrower may, at its option, prior to the applicable date of adjustment, notify Lender that Borrower will Prepay the entire unpaid principal balance of the Line of Credit Loan, all accrued interest and other charges due under the Line of Credit Loan, and terminate its ability to draw under the Line of Credit. Upon giving such notice, Borrower shall pay the entire unpaid principal balance of the Line of Credit Loan, without prepayment fee or penalty, within 90 days after the applicable date of

Adjustment. If Lender does not receive such notice, Borrower will be deemed to have acknowledged and accepted the new Pricing Grid. A notice of election to prepay will not affect the effective date of the Adjustment of the Interest Rate Margins.

6. Exhibit A is hereby replaced in its entirety with the Exhibit A attached hereto.

7. While the name of Alico Land Development Inc. is set forth as Alico Land Development, Inc. in documentation from time to time, the correct legal name of Alico Land Development, Inc. is Alico Land Development Inc.

8. **Representations and Warranties.** Borrower represents and warrants that:

(a) all representations made by Borrower to Lender in the Credit Agreement are true and correct as if first made as of the date of this agreement:

(b) the execution, delivery and performance by Borrower of this agreement and the Credit Agreement, as amended by this agreement, are within Borrower's powers, have been duly authorized by all necessary company action and do not contravene Borrower's articles of organization or operating agreement, as applicable, or any law or any contractual restriction binding on or affecting Borrower, or result in, or require, the creation of any lien, security interest or other charge or encumbrance upon or with respect to any of the Borrower's properties, other than in favor of Lender;

(c) no authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by Borrower of this agreement or the Credit Agreement, as amended by this agreement;

(d) this agreement and the Credit Agreement, as amended by this agreement, constitute, legal, valid and binding obligations of Borrower enforceable against Borrower in accordance with their respective terms; and

(e) no Event of Default or event which, with the giving of notice or the passage of time would be an Event of Default has occurred, unless waived by the terms and conditions of this agreement.

9. **Modification Agreement.** This agreement does not release or extinguish the Obligations under the Credit Agreement. All Collateral granted to or for the benefit of Lender for purposes of securing the Obligations also secures the Obligations under the Credit Agreement, as amended by this agreement; and Borrower reaffirms the terms and provisions of all Collateral Documents.

10. **WAIVER OF PRIOR CLAIMS.** BORROWER WAIVES AND RELEASES ANY AND ALL CLAIMS AGAINST LENDER, ITS PARENT, SUBSIDIARIES, AFFILIATES AND ITS MERGED PREDECESSOR, AG SERVICES OF AMERICA, INC., THE SUBSIDIARY OF SUCH PREDECESSOR, AG ACCEPTANCE CORPORATION, AND THE RESPECTIVE SUCCESSORS, ASSIGNS, PARTICIPANTS, AGENTS AND EMPLOYEES OF EACH AND ALL OF THE FOREGOING, RELATING OR PERTAINING TO OR AS A RESULT OF THE EXISTING LOANS, AND ANY OTHER ACT OR OMISSION WHICH HAS OCCURRED PRIOR TO THE EXECUTION OF THIS AGREEMENT, INCLUDING ALL CLAIMS OF USURY, FRAUD, DECEIT, MISREPRESENTATION, UNCONSCIONABILITY, DURESS, OR LENDER LIABILITY, ANY OTHER CLAIM IN TORT OR IN CONTRACT, OR FOR VIOLATION OF ANY LAW, RULE OR REGULATION.

11. **Reference to and Effect on the Credit Agreement.**

(a) On and after the date hereof, each reference in the Credit Agreement to "this agreement", "hereunder" "hereof", "herein" or words of like import shall mean and be a reference to the Credit Agreement as amended hereby.

(b) Except as specifically amended by any prior amendments, the Credit Agreement shall remain in full force and effect and is hereby ratified and confirmed.

(c) The execution, delivery and effectiveness of this amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of Lender under the Credit Agreement, nor constitute a waiver of any provision of the Credit Agreement.

12. **Execution in Counterparts.** This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument.

13. **Expenses.** The Borrower shall pay on demand all costs and expenses incurred by the Lender in connection with the preparation, execution, delivery, filing, and administration of this Amendment (including, without limitation, Legal Fees incurred in connection with the preparation of this Amendment and advising the Lender as to its rights, and the cost of any credit verification reports or field examinations of the Borrower's properties or books and records). The Borrower's obligations to the Lender under this Section shall survive termination of this Agreement and repayment of the Borrower's obligations to the Lender under the Credit Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the date first above written.

BORROWER

ALICO, INC., a Florida corporation

By: /s/ Clayton G. Wilson
CLAYTON G. WILSON, President & Chief Executive
Officer

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Alico
Sixth Amendment to Credit Agreement

ALICO-AGRI, LTD., a Florida limited partnership

By: Alico, Inc., a Florida corporation, its General Partner

By: /s/ Clayton G. Wilson
CLAYTON G. WILSON, President & Chief Executive
Officer

ALICO PLANT WORLD, L.L.C., a Florida limited liability
company

By: Alico, Inc., a Florida corporation, its Manager

By: /s/ Clayton G. Wilson
CLAYTON G. WILSON, President & Chief Executive
Officer

ALICO FRUIT COMPANY, LLC, a Florida limited liability
company

By: Alico, Inc., a Florida corporation, its Sole Member

By: /s/ Clayton G. Wilson
CLAYTON G. WILSON, President & Chief Executive
Officer

ALICO LAND DEVELOPMENT, INC., a Florida corporation

By: /s/ Clayton G. Wilson
CLAYTON G. WILSON, President

ALICO CITRUS NURSERY, LLC, a Florida limited liability
company

By: Alico, Inc., a Florida corporation, its sole Member

By: /s/ Clayton G. Wilson
CLAYTON G. WILSON, President & Chief Executive
Officer

LENDER

RABO AGRIFINANCE, INC.

By: /s/ Judy Cochran
JUDY COCHRAN
Assistant Vice President

Alico
Sixth Amendment to Credit Agreement

EXHIBIT A

PRICING GRID

The Percentage Margin will be adjusted annually, on the first of each January, based upon the Borrower's Debt Coverage Service Ratio for the immediately preceding fiscal year. Category 1 pricing will apply from the date hereof until January 1, 2015, at which time the pricing grid specified below will apply.

Debt Service Coverage Ratio	Percentage Margin	Default Rate
<u>Category 1</u> ≥ 1.75x	1.95%	Category 3 Pricing + 5.00%
<u>Category 2</u> ≥ 1.15x and < 1.75x	2.45%	Category 3 Pricing + 5.00%
<u>Category 3</u> < 1.15x	2.95%	Category 3 Pricing + 5.00%

In the event of default, the Default Rate shall apply regardless of the level of the Debt Service Coverage Ratio. The Default Rate will be 5% in excess of Category 3 Pricing.

Certification of Chief Executive Officer
Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)

In connection with the Annual Report on Form 10-K for the year ended September 30, 2014 (the "Report") of Alico, Inc. (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof, I, Clayton G. Wilson, President and Chief Executive Officer of the Registrant, hereby certify, pursuant to Section 906 of the Sarbanes Oxley Act of 2002 that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: December 12, 2014

By: _____ /s/ Clayton G. Wilson
Clayton G. Wilson
President and Chief Executive Officer
