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

**FORM 10-Q**

**R Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended **June 30, 2013**

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, Fort Myers, FL**

*(Address of principal executive offices)*

**33913**

*(Zip Code)*

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

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

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

Large accelerated filer £      Accelerated filer R      Non-accelerated filer £      Smaller reporting company £  
(Do not check if a 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 R No

There were 7,304,007 shares of common stock, par value \$1.00 per share, outstanding as of August 1, 2013.

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**Part I. FINANCIAL INFORMATION**

|   |    |
|---|----|
| <u>Item 1. Financial Statements</u>   | 3  |
| <u>Condensed Consolidated Statements of Operations (unaudited) for the three and nine months ended June 30, 2013 and 2012</u> | 3  |
| <u>Condensed Consolidated Balance Sheets as of June 30, 2013 (unaudited) and September 30, 2012</u>                           | 4  |
| <u>Condensed Consolidated Statements of Cash Flows (unaudited) for the nine months ended June 30, 2013 and 2012</u>           | 5  |
| <u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>   | 6  |
| <u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>                          | 20 |
| <u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>   | 28 |
| <u>Item 4. Controls and Procedures</u>  | 28 |

**Part II. OTHER INFORMATION**

|  |    |
|--|----|
| <u>Item 1. Legal Proceedings</u>   | 29 |
| <u>Item 1A. Risk Factors</u>   | 29 |
| <u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u> | 29 |
| <u>Item 3. Defaults Upon Senior Securities</u>                             | 29 |
| <u>Item 4. Mine Safety Disclosure</u>                                      | 29 |
| <u>Item 5. Other Information</u>   | 29 |
| <u>Item 6. Exhibits</u>  | 30 |
| <u>Signatures</u>  | 32 |
| <u>Index to Exhibits</u>   | 33 |

**Part I. Financial Information**

**Item 1. Financial Statements**

**ALICO, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**  
(in thousands, except per share amounts)

|   | <b>Three Months Ended June 30,</b> |                 | <b>Nine Months Ended June 30,</b> |                  |
|---|------------------------------------|-----------------|-----------------------------------|------------------|
|   | <b>2013</b>                        | <b>2012</b>     | <b>2013</b>                       | <b>2012</b>      |
| <b>Operating revenues:</b>                            |                                    |                 |                                   |                  |
| Citrus Groves   | \$ 19,209                          | \$ 21,829       | \$ 43,664                         | \$ 55,331        |
| Agricultural Supply Chain Management                  | 10,553                             | 16,753          | 27,712                            | 47,547           |
| Improved Farmland                                     | 4,760                              | 897             | 21,679                            | 15,060           |
| Ranch and Conservation                                | 409                                | 718             | 1,265                             | 2,125            |
| Other Operations                                      | 298                                | 204             | 675                               | 482              |
| Total operating revenue                               | <u>35,229</u>                      | <u>40,401</u>   | <u>94,995</u>                     | <u>120,545</u>   |
| <b>Operating expenses:</b>                            |                                    |                 |                                   |                  |
| Citrus Groves   | 12,789                             | 12,050          | 31,488                            | 31,058           |
| Agricultural Supply Chain Management                  | 10,095                             | 16,496          | 26,886                            | 46,223           |
| Improved Farmland                                     | 3,028                              | 640             | 16,044                            | 11,417           |
| Ranch and Conservation                                | 120                                | 317             | 380                               | 774              |
| Other Operations                                      | 132                                | 389             | 332                               | 812              |
| Total operating expenses                              | <u>26,164</u>                      | <u>29,892</u>   | <u>75,130</u>                     | <u>90,284</u>    |
| Gross profit  | 9,065                              | 10,509          | 19,865                            | 30,261           |
| Corporate general and administrative                  | 2,253                              | 1,871           | 6,525                             | 5,668            |
| Income from operations                                | 6,812                              | 8,638           | 13,340                            | 24,593           |
| <b>Other (expense) income:</b>                        |                                    |                 |                                   |                  |
| Interest and investment income, net                   | 169                                | (16)            | 530                               | 26               |
| Interest expense                                      | (290)                              | (354)           | (968)                             | (1,290)          |
| Other income, net                                     | (46)                               | 7,258           | (10)                              | 7,290            |
| Total other (expense) income, net                     | <u>(167)</u>                       | <u>6,888</u>    | <u>(448)</u>                      | <u>6,026</u>     |
| Income before income taxes                            | 6,645                              | 15,526          | 12,892                            | 30,619           |
| Income tax expense                                    | 2,566                              | 5,919           | 5,002                             | 11,665           |
| <b>Net income</b>                                     | <u>\$ 4,079</u>                    | <u>\$ 9,607</u> | <u>\$ 7,890</u>                   | <u>\$ 18,954</u> |
| <b>Weighted-average number of shares outstanding:</b> |                                    |                 |                                   |                  |
| Basic   | 7,299                              | 7,354           | 7,316                             | 7,354            |
| Diluted   | 7,375                              | 7,354           | 7,350                             | 7,354            |
| <b>Earnings per common share:</b>                     |                                    |                 |                                   |                  |
| Basic   | \$ 0.56                            | \$ 1.31         | \$ 1.08                           | \$ 2.58          |
| Diluted   | \$ 0.55                            | \$ 1.31         | \$ 1.07                           | \$ 2.58          |
| Cash dividends declared per common share              | \$ 0.08                            | \$ 0.04         | \$ 0.16                           | \$ 0.12          |

*See accompanying notes to condensed consolidated financial statements (unaudited).*

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

|   | <b>June 30, 2013</b> | <b>September 30,</b> | <b>2012</b>    |
|---|----------------------|----------------------|----------------|
|   | (unaudited)          |                      |                |
| <b>ASSETS</b>   |                      |                      |                |
| <b>Current assets:</b>  |                      |                      |                |
| Cash and cash equivalents   | \$ 6,803             | \$                   | 13,328         |
| Restricted cash   | —                    |                      | 2,500          |
| Investments   | 260                  |                      | 257            |
| Accounts receivable, net  | 7,801                |                      | 3,071          |
| Income tax receivable   | 53                   |                      | 1,327          |
| Inventories   | 22,766               |                      | 27,290         |
| Assets held for sale  | —                    |                      | 2,475          |
| Other current assets  | 1,513                |                      | 1,219          |
| <b>Total current assets</b>   | <b>39,196</b>        |                      | <b>51,467</b>  |
| Investment in Magnolia Fund   | 6,098                |                      | 5,607          |
| Investments, deposits and other non-current assets  | 2,071                |                      | 2,145          |
| Deferred income taxes   | 2,168                |                      | 2,168          |
| Cash surrender value of life insurance  | 871                  |                      | 862            |
| Property, buildings and equipment, net  | 132,248              |                      | 122,834        |
| <b>Total assets</b>   | <b>\$ 182,652</b>    | <b>\$</b>            | <b>185,083</b> |
| <b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>   |                      |                      |                |
| <b>Current liabilities:</b>   |                      |                      |                |
| Accounts payable  | \$ 2,448             | \$                   | 4,929          |
| Long-term debt, current portion   | 2,000                |                      | 3,267          |
| Accrued expenses  | 1,245                |                      | 2,488          |
| Income taxes payable  | 3,260                |                      | 484            |
| Dividend payable  | 583                  |                      | 883            |
| Accrued ad valorem taxes  | 1,089                |                      | 1,685          |
| Other current liabilities   | 1,486                |                      | 3,412          |
| <b>Total current liabilities</b>  | <b>12,111</b>        |                      | <b>17,148</b>  |
| Long-term debt, net of current portion  | 34,500               |                      | 36,633         |
| Deferred retirement benefits, net of current portion  | 3,863                |                      | 3,756          |
| <b>Total liabilities</b>  | <b>50,474</b>        |                      | <b>57,537</b>  |
| Commitments and contingencies   |                      |                      |                |
| <b>Stockholders' equity:</b>  |                      |                      |                |
| 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 7,297,939 and 7,353,871 shares outstanding at June 30, 2013 and September 30, 2012, respectively | 7,377                |                      | 7,377          |
| Additional paid in capital  | 9,382                |                      | 9,053          |
| Treasury stock at cost, 79,167 and 23,235 shares held at June 30, 2013 and September 30, 2012, respectively   | (2,966)              |                      | (543)          |
| Retained earnings   | 118,385              |                      | 111,659        |
| <b>Total stockholders' equity</b>   | <b>132,178</b>       |                      | <b>127,546</b> |
| <b>Total liabilities and stockholders' equity</b>   | <b>\$ 182,652</b>    | <b>\$</b>            | <b>185,083</b> |

*See accompanying notes to condensed consolidated financial statements (unaudited).*

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

|   | Nine Months Ended<br>June 30, |           |
|---|-------------------------------|-----------|
|   | 2013                          | 2012      |
| <b>Net cash provided by operating activities</b>            | \$ 14,753                     | \$ 25,626 |
| <b>Cash flows from investing activities:</b>                |                               |           |
| Purchases of property and equipment                         | (16,792)                      | (12,195)  |
| Decrease (increase) in restricted cash                      | 2,500                         | (10,747)  |
| (Decrease) increase in real estate deposits                 | (2,500)                       | 2,000     |
| Proceeds from disposals of property and equipment           | 2,925                         | 10,643    |
| Return on investment in Magnolia                            | –                             | 4,735     |
| Proceeds from sales of investments                          | –                             | 734       |
| Collections of mortgages and notes receivable               | 30                            | 33        |
| Net cash used in investing activities                       | (13,837)                      | (4,797)   |
| <b>Cash flows from financing activities:</b>                |                               |           |
| Principal payments on notes payable                         | (3,400)                       | (2,462)   |
| Borrowings on revolving line of credit                      | 5,661                         | 61,761    |
| Repayments on revolving line of credit                      | (5,661)                       | (75,740)  |
| Treasury stock purchases                                    | (2,877)                       | (1,469)   |
| Dividends paid  | (1,164)                       | (288)     |
| Net cash used in financing activities                       | (7,441)                       | (18,198)  |
| <b>Net (decrease) increase in cash and cash equivalents</b> | (6,525)                       | 2,631     |
| Cash and cash equivalents at beginning of period            | 13,328                        | 1,336     |
| <b>Cash and cash equivalents at end of period</b>           | \$ 6,803                      | \$ 3,967  |
| <b>Supplemental cash flow information:</b>                  |                               |           |
| Cash paid for interest, net of amount capitalized           | \$ 818                        | \$ 1,296  |
| Cash paid for income taxes                                  | \$ 1,222                      | \$ 3,614  |

*See accompanying notes to condensed consolidated financial statements (unaudited).*

**ALICO, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**Note 1. Description of Business and Basis of Presentation**

*Description of Business*

Alico Inc. (“Alico”) and its wholly owned subsidiaries (collectively, the “Company”) is an agribusiness and land management company. The Company owns approximately 130,800 acres of land in six Florida counties (Alachua, Collier, Glades, Hendry, Lee and Polk). Our principal lines of business are citrus groves, improved farmland including sugarcane, cattle ranching and conservation, and other operations which includes rock mining.

*Basis of Presentation*

The accompanying (a) condensed consolidated balance sheet as of September 30, 2012, which has been derived from audited financial statements, and (b) unaudited condensed consolidated interim financial statements (the “Financial Statements”) of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The Financial Statements include all adjustments, consisting of normal and recurring adjustments, which in the opinion of management were necessary for a fair presentation of the financial position, results of operations and cash flows for the periods presented. The results of the interim period are not necessarily indicative of the results for any other interim periods or the entire fiscal year.

The Financial Statements have been presented according to the rules and regulations of the Securities and Exchange Commission (“SEC”), instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Certain information, footnotes and disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted in accordance with those rules and regulations. The Company believes that the disclosures made are adequate to make the information not misleading. The Financial Statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended September 30, 2012.

*Principles of Consolidation*

The Financial Statements include the accounts of Alico, and its wholly owned subsidiaries, Alico Land Development, Inc. (“ALDI”), Alico-Agri, Ltd. (“Alico-Agri”), Alico Plant World, LLC and Alico Fruit Company, LLC (formerly known as Bowen Brothers Fruit, LLC) (“Alico Fruit”). All significant intercompany accounts and transactions have been eliminated in consolidation.

*Reclassifications*

Certain reclassifications have been made to the prior years’ consolidated financial statements to conform to the fiscal year 2013 presentation. These reclassifications had no impact on working capital, net income, stockholders’ equity or cash flows as previously reported.

*Use of Estimates*

The preparation of financial statements in conformity with 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.

### *Seasonality*

The Company is primarily engaged in agriculture, which is of a seasonal nature and subject to the influence of natural phenomena and wide price fluctuations. The results of the reported period herein are not necessarily indicative of the results for any other interim periods or the entire fiscal year.

### *Recent Accounting Pronouncements*

The Company does not believe that any recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the AICPA, or the SEC would have a material effect on its financial position, results of operations or cash flows.

## **Note 2. Inventories**

A summary of the Company's inventories is presented below:

*(in thousands)*

|                                     | <b>June 30,<br/>2013</b> | <b>September 30,<br/>2012</b> |
|-------------------------------------|--------------------------|-------------------------------|
| Unharvested fruit crop on the trees | \$ 11,293                | \$ 16,176                     |
| Unharvested sugarcane               | 7,891                    | 10,185                        |
| Beef cattle                         | 3,386                    | 768                           |
| Other                               | 196                      | 161                           |
|                                     | <hr/>                    | <hr/>                         |
| Total Inventories                   | <b>\$ 22,766</b>         | <b>\$ 27,290</b>              |

## **Note 3. Property, Buildings and Equipment, Net**

Property, buildings and equipment consisted of the following at June 30, 2013 and September 30, 2012:

*(in thousands)*

|   | <b>June 30,<br/>2013</b> | <b>September 30,<br/>2012</b> |
|---|--------------------------|-------------------------------|
| Breeding herd                               | \$ 12,943                | \$ 10,062                     |
| Buildings                                   | 11,594                   | 10,975                        |
| Citrus trees                                | 33,955                   | 33,164                        |
| Sugarcane                                   | 15,834                   | 12,617                        |
| Equipment and other facilities              | 46,276                   | 42,043                        |
|   | <hr/>                    | <hr/>                         |
| Total depreciable properties                | 120,602                  | 108,861                       |
| Less accumulated depreciation and depletion | (70,101)                 | (65,220)                      |
|   | <hr/>                    | <hr/>                         |
| Net depreciable properties                  | 50,501                   | 43,641                        |
| Land and land improvements                  | 81,747                   | 79,193                        |
|   | <hr/>                    | <hr/>                         |
| Net property, buildings and equipment       | <b>\$ 132,248</b>        | <b>\$ 122,834</b>             |

### Alachua County Property

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

### Lee County, Florida Properties

On October 3, 2012, the sale of the final two parcels of our Lee County, Florida properties closed. The total sales price for the parcels was \$2,475,000. At September 30, 2012, the parcels were recorded in assets held for sale on the Condensed Consolidated Balance Sheet totaling \$2,475,000 and a deposit for the parcels of \$2,500,000 was included in restricted cash and other current liabilities.

### Note 4. Income taxes

The Company's effective tax rates were 38.8% and 38.1% for the nine months ended June 30, 2013 and 2012, respectively.

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 June 30, 2013 and September 30, 2012. The Company recognizes interest and/or penalties related to income tax matters in income tax expense and in income taxes payable.

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 5. Long-Term Debt

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

| <i>(in thousands)</i>         | <u>Revolving<br/>Line of Credit</u> | <u>Term Loan</u> | <u>Mortgage Note</u> | <u>Total Credit Facility</u> |
|-------------------------------|-------------------------------------|------------------|----------------------|------------------------------|
| <b>June 30, 2013</b>          |                                     |                  |                      |                              |
| Principal balance outstanding | \$ —                                | \$ 36,500        | \$ —                 | \$ 36,500                    |
| Remaining available credit    | \$ 60,000                           | \$ —             | \$ —                 | \$ 60,000                    |
| Effective interest rate       | 2.44%                               | 2.69%            |                      |                              |
| Scheduled maturity date       | October 2020                        | October 2020     |                      |                              |
| Collateral                    | Real Estate                         | Real Estate      |                      |                              |
| <b>September 30, 2012</b>     |                                     |                  |                      |                              |
| Principal balance outstanding | \$ —                                | \$ 38,000        | \$ 1,900             | \$ 39,900                    |
| Remaining available credit    | \$ 60,000                           | \$ —             | \$ —                 | \$ 60,000                    |
| Effective interest rate       | 2.48%                               | 2.73%            | 6.68%                |                              |
| Scheduled maturity date       | October 2020                        | October 2020     | March 2014           |                              |
| Collateral                    | Real Estate                         | Real Estate      | Real Estate          |                              |

The Company has a credit facility including a revolving line of credit ("RLOC") and term loan with Rabo AgriFinance, Inc. ("Rabo") totaling \$96,500,000. The revolving line of credit and term loan are collateralized by 43,991 acres of farmland and 12,280 acres of additional real property containing approximately 8,600 acres of producing citrus groves.



The \$60,000,000 RLOC bears interest at a floating rate payable on the first day of each calendar quarter. The RLOC matures on October 1, 2020. At June 30, 2013, there was no outstanding balance on the RLOC. The Company pays an annual commitment fee on the RLOC equal to 0.15% of the difference between the annual average unpaid balance and the \$60,000,000 loan commitment. The commitment fee is payable on February 1 of each year. Commitment fees of approximately \$87,000 were paid during February 2013 and \$38,000 was accrued at June 30, 2013.

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 ratios for the preceding fiscal year and can vary from 225 to 250 basis points. The rate is currently at LIBOR plus 225 basis points. On October 1, 2015, Rabo may adjust the interest rate spread to any percentage above one month LIBOR. Rabo must provide a 30 day notice of the new spreads; at that time, the Company has the right to prepay the outstanding balance.

The term loan requires quarterly payments of interest at a floating rate of one month LIBOR plus 250 basis points. 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.

At June 30, 2013 and September 30, 2012, Alico was in compliance with all of its covenants under the Rabo loan agreement.

On October 10, 2012, the outstanding mortgage note held by Farm Credit of Florida was paid in full. The payment included \$1,794,000 for the principal balance and \$66,000 for a prepayment penalty which was included in interest expense on our consolidated statement of operations. The mortgage was collateralized by 7,680 acres of real estate used for farm leases, sugarcane and citrus production. The collateral was released upon satisfaction of the mortgage.

Maturities of the Company's debt were as follows at June 30, 2013:

*(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            |    | 26,500        |
|                                  |    | <hr/>         |
| Total                            | \$ | <u>36,500</u> |

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

*(in thousands)*

|                      | Three Months Ended June 30, |        | Nine Months Ended June 30, |          |
|----------------------|-----------------------------|--------|----------------------------|----------|
|                      | 2013                        | 2012   | 2013                       | 2012     |
| Interest expense     | \$ 290                      | \$ 354 | \$ 968                     | \$ 1,290 |
| Interest capitalized | 31                          | 24     | 60                         | 62       |
|                      | <hr/>                       |        |                            |          |
| Total                | \$ 321                      | \$ 378 | \$ 1,028                   | \$ 1,352 |
|                      | <hr/>                       |        |                            |          |

## **Note 6. Disclosures about reportable segments**

### *Lines of Business*

The Company operates five lines of business related to our various land holdings. The lines of business are 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 planting, owning, cultivating, managing 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 and other insignificant lines of business.

### *Segments*

The Company is organized into six operating segments which span our five lines of business. The operating segments are strategic business units that offer different products and services. They are managed separately and decisions about allocation of resources are determined by our management team based on these strategic business units. The operating segments are as follows:

- Citrus Groves include activities related to planting, cultivating and/or managing citrus groves in order to produce fruit for delivery to fresh and processed citrus markets.
- Alico Fruit 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.
- Sugarcane includes activities related to planting, cultivating and/or managing sugarcane fields in order to produce sugarcane for sale to a sugar processor.
- Cattle includes the production of beef cattle for sale.
- Land Leasing and Rentals includes the leasing of land to others on a tenant-at-will basis for grazing, farming, oil and mineral exploration and recreational uses.
- Other Operations include activities related to rock mining royalties, oil exploration and other insignificant lines of business.

Intersegment sales and transfers are accounted for 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 which 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 1, Description of the Business and Basis of Presentation. Total revenues represent sales to unaffiliated customers, as reported in the Company's Condensed Consolidated Statements of Operations. All intercompany transactions have been eliminated.

Information by business segment is as follows:

**For the Three Months Ended June 30, 2013**

| <i>(in thousands)</i>               | Agricultural<br>Supply |                     |                      |                           |                     | Total           |
|-------------------------------------|------------------------|---------------------|----------------------|---------------------------|---------------------|-----------------|
|                                     | Citrus<br>Groves       | Chain<br>Management | Improved<br>Farmland | Ranch and<br>Conservation | Other<br>Operations |                 |
| <b>Revenues:</b>                    |                        |                     |                      |                           |                     |                 |
| Alico Fruit                         | \$ —                   | \$ 10,553           | \$ —                 | \$ —                      | \$ —                | \$ 10,553       |
| Citrus Groves                       | 19,209                 | —                   | —                    | —                         | —                   | 19,209          |
| Sugarcane                           | —                      | —                   | 4,549                | —                         | —                   | 4,549           |
| Cattle                              | —                      | —                   | —                    | 105                       | —                   | 105             |
| Land leasing and rentals            | —                      | —                   | 211                  | 238                       | 106                 | 555             |
| Other operations                    | —                      | —                   | —                    | 66                        | 192                 | 258             |
| Intersegment Revenues - Alico Fruit | —                      | 4,674               | —                    | —                         | —                   | 4,674           |
| Eliminations                        | —                      | (4,674)             | —                    | —                         | —                   | (4,674)         |
| <b>Total revenue</b>                | <b>19,209</b>          | <b>10,553</b>       | <b>4,760</b>         | <b>409</b>                | <b>298</b>          | <b>35,229</b>   |
| <b>Operating expenses:</b>          |                        |                     |                      |                           |                     |                 |
| Alico Fruit                         | —                      | 10,095              | —                    | —                         | —                   | 10,095          |
| Citrus Groves                       | 12,789                 | —                   | —                    | —                         | —                   | 12,789          |
| Sugarcane                           | —                      | —                   | 2,955                | —                         | —                   | 2,955           |
| Cattle                              | —                      | —                   | —                    | 61                        | —                   | 61              |
| Land leasing and rentals            | —                      | —                   | 73                   | 56                        | 72                  | 201             |
| Other operations(a)                 | —                      | —                   | —                    | 3                         | 60                  | 63              |
| <b>Total operating expenses</b>     | <b>12,789</b>          | <b>10,095</b>       | <b>3,028</b>         | <b>120</b>                | <b>132</b>          | <b>26,164</b>   |
| <b>Gross profit:</b>                |                        |                     |                      |                           |                     |                 |
| Alico Fruit                         | —                      | 458                 | —                    | —                         | —                   | 458             |
| Citrus Groves                       | 6,420                  | —                   | —                    | —                         | —                   | 6,420           |
| Sugarcane                           | —                      | —                   | 1,594                | —                         | —                   | 1,594           |
| Cattle                              | —                      | —                   | —                    | 44                        | —                   | 44              |
| Land leasing and rentals            | —                      | —                   | 138                  | 182                       | 34                  | 354             |
| Other operations(a)                 | —                      | —                   | —                    | 63                        | 132                 | 195             |
| <b>Total gross profit</b>           | <b>\$ 6,420</b>        | <b>\$ 458</b>       | <b>\$ 1,732</b>      | <b>\$ 289</b>             | <b>\$ 166</b>       | <b>\$ 9,065</b> |

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

**For the Three Months Ended June 30, 2012**

| <i>(in thousands)</i>               | <b>Agricultural Supply</b> |                         |                          |                               |                         | <b>Total</b>     |
|-------------------------------------|----------------------------|-------------------------|--------------------------|-------------------------------|-------------------------|------------------|
|                                     | <b>Citrus Groves</b>       | <b>Chain Management</b> | <b>Improved Farmland</b> | <b>Ranch and Conservation</b> | <b>Other Operations</b> |                  |
| <b>Revenues:</b>                    |                            |                         |                          |                               |                         |                  |
| Alico Fruit                         | \$ -                       | \$ 16,753               | \$ -                     | \$ -                          | \$ -                    | \$ 16,753        |
| Citrus Groves                       | 21,829                     | -                       | -                        | -                             | -                       | 21,829           |
| Sugarcane                           | -                          | -                       | 652                      | -                             | -                       | 652              |
| Cattle                              | -                          | -                       | -                        | 378                           | -                       | 378              |
| Land leasing and rentals            | -                          | -                       | 245                      | 271                           | 156                     | 672              |
| Other operations                    | -                          | -                       | -                        | 69                            | 48                      | 117              |
| Intersegment Revenues - Alico Fruit | -                          | 4,907                   | -                        | -                             | -                       | 4,907            |
| Eliminations                        | -                          | (4,907)                 | -                        | -                             | -                       | (4,907)          |
| <b>Total revenue</b>                | <b>21,829</b>              | <b>16,753</b>           | <b>897</b>               | <b>718</b>                    | <b>204</b>              | <b>40,401</b>    |
| <b>Operating expenses:</b>          |                            |                         |                          |                               |                         |                  |
| Alico Fruit                         | -                          | 16,496                  | -                        | -                             | -                       | 16,496           |
| Citrus Groves                       | 12,050                     | -                       | -                        | -                             | -                       | 12,050           |
| Sugarcane                           | -                          | -                       | 539                      | -                             | -                       | 539              |
| Cattle                              | -                          | -                       | -                        | 240                           | -                       | 240              |
| Land leasing and rentals            | -                          | -                       | 101                      | 76                            | 75                      | 252              |
| Other operations(a)                 | -                          | -                       | -                        | 1                             | 314                     | 315              |
| <b>Total operating expenses</b>     | <b>12,050</b>              | <b>16,496</b>           | <b>640</b>               | <b>317</b>                    | <b>389</b>              | <b>29,892</b>    |
| <b>Gross profit:</b>                |                            |                         |                          |                               |                         |                  |
| Alico Fruit                         | -                          | 257                     | -                        | -                             | -                       | 257              |
| Citrus Groves                       | 9,779                      | -                       | -                        | -                             | -                       | 9,779            |
| Sugarcane                           | -                          | -                       | 113                      | -                             | -                       | 113              |
| Cattle                              | -                          | -                       | -                        | 138                           | -                       | 138              |
| Land leasing and rentals            | -                          | -                       | 144                      | 195                           | 81                      | 420              |
| Other operations(a)                 | -                          | -                       | -                        | 68                            | (266)                   | (198)            |
| <b>Total gross profit</b>           | <b>\$ 9,779</b>            | <b>\$ 257</b>           | <b>\$ 257</b>            | <b>\$ 401</b>                 | <b>\$ (185)</b>         | <b>\$ 10,509</b> |

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

**For the Nine Months Ended June 30, 2013**

| <i>(in thousands)</i>               | <b>Agricultural Supply</b> |                         |                          |                               |                         | <b>Total</b>     |
|-------------------------------------|----------------------------|-------------------------|--------------------------|-------------------------------|-------------------------|------------------|
|                                     | <b>Citrus Groves</b>       | <b>Chain Management</b> | <b>Improved Farmland</b> | <b>Ranch and Conservation</b> | <b>Other Operations</b> |                  |
| <b>Revenues:</b>                    |                            |                         |                          |                               |                         |                  |
| Alico Fruit                         | \$ —                       | \$ 27,712               | \$ —                     | \$ —                          | \$ —                    | \$ 27,712        |
| Citrus Groves                       | 43,664                     | —                       | —                        | —                             | —                       | 43,664           |
| Sugarcane                           | —                          | —                       | 21,020                   | —                             | —                       | 21,020           |
| Cattle                              | —                          | —                       | —                        | 293                           | —                       | 293              |
| Land leasing and rentals            | —                          | —                       | 659                      | 728                           | 336                     | 1,723            |
| Other operations                    | —                          | —                       | —                        | 244                           | 339                     | 583              |
| Intersegment Revenues - Alico Fruit | —                          | 10,919                  | —                        | —                             | —                       | 10,919           |
| Eliminations                        | —                          | (10,919)                | —                        | —                             | —                       | (10,919)         |
| <b>Total revenue</b>                | <b>43,664</b>              | <b>27,712</b>           | <b>21,679</b>            | <b>1,265</b>                  | <b>675</b>              | <b>94,995</b>    |
| <b>Operating expenses:</b>          |                            |                         |                          |                               |                         |                  |
| Alico Fruit                         | —                          | 26,886                  | —                        | —                             | —                       | 26,886           |
| Citrus Groves                       | 31,488                     | —                       | —                        | —                             | —                       | 31,488           |
| Sugarcane                           | —                          | —                       | 15,789                   | —                             | —                       | 15,789           |
| Cattle                              | —                          | —                       | —                        | 179                           | —                       | 179              |
| Land leasing and rentals            | —                          | —                       | 255                      | 195                           | 219                     | 669              |
| Other operations(a)                 | —                          | —                       | —                        | 6                             | 113                     | 119              |
| <b>Total operating expenses</b>     | <b>31,488</b>              | <b>26,886</b>           | <b>16,044</b>            | <b>380</b>                    | <b>332</b>              | <b>75,130</b>    |
| <b>Gross profit:</b>                |                            |                         |                          |                               |                         |                  |
| Alico Fruit                         | —                          | 826                     | —                        | —                             | —                       | 826              |
| Citrus Groves                       | 12,176                     | —                       | —                        | —                             | —                       | 12,176           |
| Sugarcane                           | —                          | —                       | 5,231                    | —                             | —                       | 5,231            |
| Cattle                              | —                          | —                       | —                        | 114                           | —                       | 114              |
| Land leasing and rentals            | —                          | —                       | 404                      | 533                           | 117                     | 1,054            |
| Other operations(a)                 | —                          | —                       | —                        | 238                           | 226                     | 464              |
| <b>Total gross profit</b>           | <b>\$ 12,176</b>           | <b>\$ 826</b>           | <b>\$ 5,635</b>          | <b>\$ 885</b>                 | <b>\$ 343</b>           | <b>\$ 19,865</b> |

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

**For the Nine Months Ended June 30, 2012**

| <i>(in thousands)</i>               | Agricultural Supply |                  |                   |                        |                  | Total            |
|-------------------------------------|---------------------|------------------|-------------------|------------------------|------------------|------------------|
|                                     | Citrus Groves       | Chain Management | Improved Farmland | Ranch and Conservation | Other Operations |                  |
| <b>Revenues:</b>                    |                     |                  |                   |                        |                  |                  |
| Alico Fruit                         | \$ -                | \$ 47,547        | \$ -              | \$ -                   | \$ -             | \$ 47,547        |
| Citrus Groves                       | 55,331              | -                | -                 | -                      | -                | 55,331           |
| Sugarcane                           | -                   | -                | 14,311            | -                      | -                | 14,311           |
| Cattle                              | -                   | -                | -                 | 978                    | -                | 978              |
| Land leasing and rentals            | -                   | -                | 749               | 813                    | 366              | 1,928            |
| Other operations                    | -                   | -                | -                 | 334                    | 116              | 450              |
| Intersegment Revenues - Alico Fruit | -                   | 11,820           | -                 | -                      | -                | 11,820           |
| Eliminations                        | -                   | (11,820)         | -                 | -                      | -                | (11,820)         |
| <b>Total revenue</b>                | <b>55,331</b>       | <b>47,547</b>    | <b>15,060</b>     | <b>2,125</b>           | <b>482</b>       | <b>120,545</b>   |
| <b>Operating expenses:</b>          |                     |                  |                   |                        |                  |                  |
| Alico Fruit                         | -                   | 46,223           | -                 | -                      | -                | 46,223           |
| Citrus Groves                       | 31,058              | -                | -                 | -                      | -                | 31,058           |
| Sugarcane                           | -                   | -                | 11,090            | -                      | -                | 11,090           |
| Cattle                              | -                   | -                | -                 | 558                    | -                | 558              |
| Land leasing and rentals            | -                   | -                | 327               | 215                    | 226              | 768              |
| Other operations(a)                 | -                   | -                | -                 | 1                      | 586              | 587              |
| <b>Total operating expenses</b>     | <b>31,058</b>       | <b>46,223</b>    | <b>11,417</b>     | <b>774</b>             | <b>812</b>       | <b>90,284</b>    |
| <b>Gross profit:</b>                |                     |                  |                   |                        |                  |                  |
| Alico Fruit                         | -                   | 1,324            | -                 | -                      | -                | 1,324            |
| Citrus Groves                       | 24,273              | -                | -                 | -                      | -                | 24,273           |
| Sugarcane                           | -                   | -                | 3,221             | -                      | -                | 3,221            |
| Cattle                              | -                   | -                | -                 | 420                    | -                | 420              |
| Land leasing and rentals            | -                   | -                | 422               | 598                    | 140              | 1,160            |
| Other operations(a)                 | -                   | -                | -                 | 333                    | (470)            | (137)            |
| <b>Total gross profit</b>           | <b>\$ 24,273</b>    | <b>\$ 1,324</b>  | <b>\$ 3,643</b>   | <b>\$ 1,351</b>        | <b>\$ (330)</b>  | <b>\$ 30,261</b> |

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

| <i>(in thousands)</i>                                 | Three Months Ended June 30, |                 | Nine Months Ended June 30, |                 |
|---|-----------------------------|-----------------|----------------------------|-----------------|
|   | 2013                        | 2012            | 2013                       | 2012            |
| <b>Depreciation, depletion and amortization:</b>      |                             |                 |                            |                 |
| Alico Fruit   | \$ 48                       | \$ 60           | \$ 171                     | \$ 161          |
| Citrus Groves   | 535                         | 519             | 1,578                      | 1,562           |
| Sugarcane   | 1,307                       | 1,049           | 3,721                      | 2,969           |
| Cattle  | 312                         | 265             | 856                        | 801             |
| Land Leasing and Rentals                              | 95                          | 104             | 287                        | 321             |
| Other depreciation, depletion and amortization        | 195                         | 150             | 517                        | 440             |
| <b>Total depreciation, depletion and amortization</b> | <b>\$ 2,492</b>             | <b>\$ 2,147</b> | <b>\$ 7,130</b>            | <b>\$ 6,254</b> |

| <i>(in thousands)</i>    | June 30, 2013     | September 30, 2012 |
|--------------------------|-------------------|--------------------|
|                          | <b>Assets:</b>    |                    |
| Alico Fruit              | \$ 1,742          | \$ 2,066           |
| Citrus Groves            | 45,115            | 47,154             |
| Sugarcane                | 69,200            | 63,916             |
| Cattle                   | 16,041            | 11,274             |
| Land Leasing and Rentals | 4,635             | 4,905              |
| Other Corporate Assets   | 45,919            | 55,768             |
| <b>Total Assets</b>      | <b>\$ 182,652</b> | <b>\$ 185,083</b>  |



## Note 7. Stockholders' Equity

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 1, 2013 for the purpose of funding awards under its 2008 Equity Incentive Plan (the "2008 Plan"). The 2008 Plan was approved by shareholders on February 20, 2009. 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. Effective April 1, 2013, the Board of Directors adopted the 2013 Incentive 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, an additional 350,000 shares of the Company's common stock may be awarded to recipients. Shares issued pursuant to awards under the 2013 Plan, if any, must be outstanding shares which have been repurchased by the Company.

Stock-based compensation expense recognized in the Condensed Consolidated Statement of Operations in general and administrative expenses was \$468,000 and \$783,000 for the three and nine months ended June 30, 2013, respectively, and \$306,000 and \$552,000 for the three and nine months ended June 30, 2012, respectively. Stock-based compensation is recorded for the Board of Directors fees paid in treasury stock and the Long Term Incentive Program restricted common stock awards.

### *Long Term Incentive Program*

On May 26, 2011, the Company's Board of Directors approved the adoption of the Long-Term Incentive Program (the "Program"), as part of the 2008 Plan. The Compensation Committee and the Board of Directors of the Company approved the contingent award of 152,403 shares of common stock to the 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.

### *Performance Criteria:*

Either the "Performance Criteria" or "Partial Performance" must be achieved during the five year period following the award date (the "Performance Period") as well as certain service conditions for the CEO and/or the NEOs to receive the awards. The Performance Criteria will have been achieved if, at any time during the Performance Period, the average of the closing prices of the common stock over the most recent 20 consecutive trading day period exceeds (i) \$46.00 for the CEO and \$50.40 for the NEOs (representing 200% of the 20 Day Average Closing Price determined as of the Award Date (the "base stock price") at any time during the three year period commencing on the award date, or (ii) \$49.22 for the CEO and \$53.93 for the other NEOs (representing 214% of the base stock price) at any time during the one year period commencing on the third anniversary of the award date and ending on the fourth anniversary of the award date, or (iii) \$52.44 for the CEO and \$57.46 for other NEOs (representing 228% of the base stock price) at any time during the one year period commencing on the fourth anniversary of the award date and ending on the fifth anniversary of the award date. If the 20 Day Average Closing Price equals or exceeds 100% of the applicable target average stock price on any day during the Performance Period, the recipients will be awarded, subject to vesting, 100% of the shares. Participants must be employed in an executive position through the following dates to receive their stock awards: (i) Fifty Percent (50%) of the Award Level shall immediately vest upon achievement of the Target Average Stock Price (the "Achievement Date"), (ii) Twenty-Five Percent (25%) of the Award Level shall vest on the first anniversary of the Achievement Date, and (iii) Twenty-Five Percent (25%) of the Award Level shall vest on the second anniversary of the Achievement Date. All Target Average Stock Prices are subject to adjustment based upon dividends paid on the Company's outstanding Common Stock.

If the Performance Criteria is not achieved during the Performance Period, but at any time during the Performance Period the 20 Day Average Closing Price exceeds 90% of the applicable target average stock price, then fifty percent (50%) of the common shares will be awarded, subject to vesting, at the end of the Performance Period



("Partial Performance"). Participants must be employed in an executive position through the following dates to receive their stock awards: (i) Twenty-Five Percent (25%) of the Award Level shall vest on the last day of the Performance Period ("Partial Performance Achievement Date" in the case of Partial Performance), (ii) Twelve and One-Half Percent (12.5%) of the Award Level shall vest on the first anniversary of the Partial Performance Achievement Date and (iii) Twelve and One-Half Percent (12.5%) of the Award Level shall vest on the second anniversary of the Partial Performance Achievement Date.

No restricted common stock will be awarded under the Program unless the Performance Criteria or Partial Performance Criteria are achieved during the five year period following the Award Date as specified. Each participant signed an award agreement with the Company setting forth the terms of the award.

On February 8, 2013, the CEO's restricted common stock award under the Program exceeded 90% of the applicable Target Average Stock Price meeting the Partial Performance Criteria. Additionally, on April 3, 2013, the other NEO's stock awards under the Program exceeded 90% of the applicable Target Average Stock Price.

The portion of stock-based compensation expense recorded in general and administrative expenses in the Condensed Consolidated Statement of Operations for the three and nine months ended June 30, 2013 for these market-based awards was \$27,000 and \$54,000, respectively. The total value of the awards at the grant date was \$321,000. The value was determined by application of a valuation model. In addition to the various criteria outlined herein, the model assumed annual volatility of 53.3% and a risk free interest rate of 2.80%.

In the event of a change in control, reorganization, liquidation or sale of the Company, all shares awarded but unvested will become fully earned and vested provided the recipient remains employed by the Company through such event.

#### *Treasury Stock*

The following table provides information relating to purchases of the Company's common shares on the open market pursuant to its Board of Directors authorization for the nine months ended June 30, 2013:

*(in thousands, except share amounts)*

|                               | <u>Shares</u> | <u>Cost</u>     |
|-------------------------------|---------------|-----------------|
| Balance at September 30, 2012 | 23,235        | \$ 543          |
| Purchased                     | 75,448        | 2,876           |
| Issued to Directors           | (19,516)      | (453)           |
|                               | <u>79,167</u> | <u>\$ 2,966</u> |
| Balance at June 30, 2013      | 79,167        | \$ 2,966        |

Through June 30, 2013, the Company had purchased 165,056 shares and had available to purchase an additional 184,944 in accordance with its Board of Directors repurchase authorization.

#### *Dilution*

The dilutive effect on the weighted average shares outstanding of the company's various equity instruments is detailed below:

*(in thousands)*

|   | <b>For the Three Months Ended</b> |              | <b>For the Nine Months Ended</b> |              |
|---|-----------------------------------|--------------|----------------------------------|--------------|
|   | <b>June 30,</b>                   |              | <b>June 30,</b>                  |              |
|   | <u>2013</u>                       | <u>2012</u>  | <u>2013</u>                      | <u>2012</u>  |
| Weighted Average Shares Outstanding - Basic   | 7,299                             | 7,354        | 7,316                            | 7,354        |
| Unvested Restricted Stock Awards              | 76                                | -            | 34                               | -            |
|   | <u>7,375</u>                      | <u>7,354</u> | <u>7,350</u>                     | <u>7,354</u> |
| Weighted Average Shares Outstanding - Diluted | 7,375                             | 7,354        | 7,350                            | 7,354        |

## **Note 8. Employee Benefits Plans**

### *Management Security Plan*

The Management Security Plan (“MSP”) is a nonqualified, noncontributory defined retirement benefit plan for a select group of management personnel. The MSP provides fixed supplemental retirement benefits for 180 months. The MSP is frozen with no new participants being added. The MSP benefit expense and the projected obligation are determined using assumptions at the end of the fiscal year. The MSP currently is unfunded and benefits are paid as they become due. At June 30, 2013, the total balance of the deferred retirement benefits liability was \$4,205,000.

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 June 30, 2013, the Rabbi Trust had no assets, and no change of control had occurred.

## **Note 9. Contingencies**

The Company is also involved from time to time in routine legal matters incidental to its business. When appropriate, the Company establishes estimated accruals for litigation matters which meet the requirements of ASC 450— Contingencies. Based upon available information, the Company believes that the resolution of such matters will not have a material adverse effect on its financial position or results of operations.

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 estimated total potential payments required by CIC Agreements are \$2,503,000 for executive officers and \$1,600,000 for other key employees.

## **Note 10. Related Party Transactions**

### *Atlantic Blue Group, Inc.*

Atlantic Blue Group, Inc. (“Atlanticblue” or “ABG”) owns approximately 50.6% of Alico’s common stock. By virtue of its ownership percentage, Atlanticblue is able to elect all of the directors and, consequently, control Alico. Directors which also serve on Atlanticblue’s board are referred to as “affiliated directors”. Atlanticblue issued a letter dated December 3, 2009, reaffirming its commitment to maintain a majority of independent directors (which may include affiliated directors) on Alico’s board. To be considered independent under NASDAQ rules a director may not be employed by Alico or engage in certain types of business dealings with Alico. In addition as required by NASDAQ rules, the Board is required to make an affirmative determination that the director has no relationships which would interfere with the exercise of independent judgment in carrying out the responsibilities as a director.

John R. Alexander, a shareholder in Atlanticblue and a director on the Atlanticblue Board of Directors, retired as the Company’s Chairman of the Board at the February 2013 shareholders meeting. Mr. Alexander’s son, 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 serves on Alico’s Board of Directors. Robert E. Lee Caswell, John R. Alexander’s son-in-law, served as a director on Alico’s Board of Directors until its February 2013 shareholders meeting; he did not stand for re-election. Robert J. Viguet, Jr., an 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 the February 2013 shareholders meeting; he was nominated by Atlanticblue where he serves as a director.

Former director Baxter Troutman filed a derivative shareholder suit against John R. Alexander and JD Alexander in which a settlement agreement (“Agreement”) was reached on April 1, 2012. On May 16, 2012 the Circuit Court of the 10th Judicial Circuit in Polk County, FL approved the Agreement thereby settling the shareholder derivative action complaint. As a condition of the Agreement, Mr. Troutman was required to file a notice of voluntary dismissal of the civil action against the Alexanders with prejudice. The parties in executing the Agreement, including a mutual release, did not rely on any inducements, promises or representations made by the other party or any of the other parties’ representatives. Furthermore, no promise, inducement or agreement not set forth in the Agreement has been made to either party. The Company, by determination of the Special Litigation Committee comprised of four independent directors of its Board of Directors, filed a motion against Mr. Troutman seeking recovery of attorney fees and costs incurred in its defense. In response, Mr. Troutman has filed motions seeking recovery of his attorney’s fees from Alico. The Company has reimbursed Messrs.’ Alexander for legal fees used to defend themselves against the suit in accordance with the Board of Directors indemnification agreements. All reimbursements were approved by the Special Committee of the Board. Reimbursements for litigation were \$39,000 and \$118,000 on behalf of John R. Alexander, and \$39,000 and \$221,000 on behalf of JD Alexander, for the three and nine months ended June 30, 2012, respectively.

Alico Fruit is currently marketing citrus fruit for TRI-County Grove, LLC, a wholly owned subsidiary of Atlanticblue. 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. During the three and nine months ended June 30, 2012, Alico Fruit marketed 47,209 and 237,626 boxes of fruit, for approximately \$639,000 and \$2,900,000, respectively. Alico Fruit markets citrus fruit for TRI-County Grove, LLC at the customary terms and rates the Company extends to third parties.

#### *Ben Hill Griffin, Inc.*

Ben Hill Griffin Inc. (“Griffin”) and its subsidiaries are controlled by Ben Hill Griffin, III, the brother-in-law of John R. Alexander, Alico’s former Chairman and Chief Executive Officer and was deemed a related party until John R. Alexander retired as Chairman of Alico on February 22, 2013. No citrus fruit has been sold to Griffin during fiscal year 2013. Citrus revenues of \$148,000 and \$521,000 were recognized for a portion of citrus crops sold under a marketing agreement with Griffin for the three and nine months ended June 30, 2012, respectively. Accounts receivable in the Condensed Consolidated Balance Sheets include amounts due from Griffin of \$94,000 at September 30, 2012. This amount represented revenues to be received periodically under pooling agreements as the sale of pooled products were completed.

Alico purchases fertilizer and other miscellaneous supplies, services, and operating equipment from Griffin on a competitive bid basis, for use in its cattle, sugarcane, sod and citrus operations. Such purchases totaled \$63,000 and \$880,000 for the three and nine months ended June 30, 2012, respectively. The accompanying Condensed Consolidated Balance Sheets include accounts payable to Griffin for fertilizer and other crop supplies totaling approximately \$10,000 at September 30, 2012.

#### *Other*

Mr. Charles Palmer, an independent Board Member, leased approximately 2,300 acres from the Company for a recreational lease in fiscal years 2013 and 2012. He pays approximately \$33,000 annually at the customary terms and rates the Company extends to third parties.

#### **Note 11. Subsequent Event**

In July, 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 the Company.

The Company expects to generate an approximate \$19,900,000 pre-tax gain which will be booked in the Company's fourth quarter results. Additionally, a \$19,900,000 capital gain for tax purposes will be utilized against the \$48,000,000 capital loss carryforward generated by the Lee County property transactions in fiscal years 2012 and 2013.

## ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

### **Cautionary Statement Regarding Forward-Looking Information**

We provide forward-looking information in this Quarterly 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 Quarterly 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. 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 described in our Annual Report on Form 10-K for the year ended September 30, 2012 and our Quarterly Reports on Form 10-Q.

### **Overview**

We own approximately 130,800 acres of land in six Florida counties (Alachua, Collier, Glades, Hendry, Lee and Polk), and operate five lines of business.

### Lines of Business

We operate five lines of business 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 planting, owning, cultivating, managing 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 and other insignificant lines of business.

### Segments

We are organized into six operating segments which span our five lines of business. Our operating segments are strategic business units that offer different products and services. They are managed separately and decisions about allocation of resources are determined by our management team based on these strategic business units. Our operating segments are as follows:

- Citrus Groves include activities related to planting, cultivating and/or managing citrus groves in order to produce fruit for delivery to fresh and processed citrus markets.
- Alico Fruit 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.
- Sugarcane includes activities related to planting, cultivating and/or managing sugarcane fields in order to produce sugarcane for sale to a sugar processor.

- Cattle includes the production of beef cattle for sale.
- Land Leasing and Rentals includes the leasing of land to others on a tenant-at-will basis for grazing, farming, oil and mineral exploration and recreational uses.
- Other Operations include activities related to rock mining royalties, oil exploration and other insignificant lines of business.

### ***Critical Accounting Policies and Estimates***

The discussion and analysis of our financial condition and results of operations are based upon our unaudited condensed consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The preparation of these financial statements requires us 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. We base these estimates on historical experience, available current market information and on various other assumptions that management believes are reasonable under the circumstances. Additionally we evaluate the results of these estimates on an on-going basis. Management’s estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

There have been no significant changes during this reporting period to the policies and disclosures set forth in Part II, Item 7 in our Annual Report on Form 10-K for the fiscal year ended September 30, 2012.

### ***Recently Issued Accounting Standards***

See Item 1. Financial Statements, Note 1. Description of Business and Basis of Presentation in the Notes to Condensed Consolidated Financial Statements (Unaudited) included in this report for recently issued accounting standards, including the expected dates of adoption and estimated effects on our consolidated financial statements.

### ***Recent Events***

#### ***Strategic and Financial Alternatives***

On January 28, 2013, Atlanticblue, the holder of 50.6% of Alico’s common stock, informed Alico of its intention, in light of recent changes in the tax code relating to the sale of certain assets by “subchapter S corporations” such as Atlanticblue, to explore the potential sale of substantially all of its assets during the 2013 calendar year and, in connection therewith, to actively pursue the sale of its entire equity position in Alico to a strategic or financial buyer.

The Board of Directors of Alico has formed a Special Committee comprised of its independent Directors to explore working cooperatively with Atlanticblue, to investigate all transaction possibilities and to protect the interests of all shareholders. The Special Committee has engaged Deutsche Bank Securities Inc. to act as its financial advisor and Greenberg Traurig, P.A. to act as its legal counsel to assist and advise the Special Committee with respect to pursuing potential strategic and financial transaction alternatives, including merger, business combination and sale transactions involving Alico. The Special Committee intends to work with its independent financial and legal advisors to identify and evaluate all available strategic and financial alternatives to maximize shareholder value. Atlanticblue has informed Alico that it intends to work cooperatively with the Special Committee with respect to this process.

## Results of Operations

The following table sets forth a comparison of results of operations for the three and nine months ended June 30, 2013 and 2012:

(in thousands)

|  | Three Months Ended |                 |                  |                 | Nine Months Ended |                  |                   |                 |
|--|--------------------|-----------------|------------------|-----------------|-------------------|------------------|-------------------|-----------------|
|  | June 30,           |                 | Change           |                 | June 30,          |                  | Change            |                 |
|  | 2013               | 2012            | \$               | %               | 2013              | 2012             | \$                | %               |
| <b>Operating revenues:</b>                     |                    |                 |                  |                 |                   |                  |                   |                 |
| Citrus Groves                                  | \$19,209           | \$21,829        | \$(2,620)        | (12.0)%         | \$ 43,664         | \$ 55,331        | \$(11,667)        | (21.1)%         |
| Alico Fruit Company                            | 10,553             | 16,753          | (6,200)          | (37.0)%         | 27,712            | 47,547           | (19,835)          | (41.7)%         |
| Sugarcane                                      | 4,549              | 652             | 3,897            | 597.7 %         | 21,020            | 14,311           | 6,709             | 46.9 %          |
| Cattle   | 105                | 378             | (273)            | (72.2)%         | 293               | 978              | (685)             | (70.0)%         |
| Land Leasing and Rentals                       | 555                | 672             | (117)            | (17.4)%         | 1,723             | 1,928            | (205)             | (10.6)%         |
| Other  | 258                | 117             | 141              | 120.5 %         | 583               | 450              | 133               | 29.6 %          |
| Total operating revenues                       | <u>35,229</u>      | <u>40,401</u>   | <u>(5,172)</u>   | <u>(12.8)%</u>  | <u>94,995</u>     | <u>120,545</u>   | <u>(25,550)</u>   | <u>(21.2)%</u>  |
| <b>Gross Profit:</b>                           |                    |                 |                  |                 |                   |                  |                   |                 |
| Citrus Groves                                  | 6,420              | 9,779           | (3,359)          | (34.3)%         | 12,176            | 24,273           | (12,097)          | (49.8)%         |
| Alico Fruit Company                            | 458                | 257             | 201              | 78.2 %          | 826               | 1,324            | (498)             | (37.6)%         |
| Sugarcane                                      | 1,594              | 113             | 1,481            | 1310.6 %        | 5,231             | 3,221            | 2,010             | 62.4 %          |
| Cattle   | 44                 | 138             | (94)             | (68.1)%         | 114               | 420              | (306)             | (72.9)%         |
| Land Leasing and Rentals                       | 354                | 420             | (66)             | (15.7)%         | 1,054             | 1,160            | (106)             | (9.1)%          |
| Other  | 195                | (198)           | 393              | (198.5)%        | 464               | (137)            | 601               | (438.7)%        |
| Total gross profit                             | <u>9,065</u>       | <u>10,509</u>   | <u>(1,444)</u>   | <u>(13.7)%</u>  | <u>19,865</u>     | <u>30,261</u>    | <u>(10,396)</u>   | <u>(34.4)%</u>  |
| Corporate, general and administrative expenses | <u>2,253</u>       | <u>1,871</u>    | <u>382</u>       | <u>20.4%</u>    | <u>6,525</u>      | <u>5,668</u>     | <u>857</u>        | <u>15.1%</u>    |
| Income from operations                         | <u>6,812</u>       | <u>8,638</u>    | <u>(1,826)</u>   | <u>(21.1)%</u>  | <u>13,340</u>     | <u>24,593</u>    | <u>(11,253)</u>   | <u>(45.8)%</u>  |
| Other income (expense), net                    | <u>(167)</u>       | <u>6,888</u>    | <u>(7,055)</u>   | <u>(102.4)%</u> | <u>(448)</u>      | <u>6,026</u>     | <u>(6,474)</u>    | <u>(107.4)%</u> |
| Income before income taxes                     | <u>6,645</u>       | <u>15,526</u>   | <u>(8,881)</u>   | <u>(57.2)%</u>  | <u>12,892</u>     | <u>30,619</u>    | <u>(17,727)</u>   | <u>(57.9)%</u>  |
| Income taxes                                   | <u>(2,566)</u>     | <u>(5,919)</u>  | <u>3,353</u>     | <u>(56.6)%</u>  | <u>(5,002)</u>    | <u>(11,665)</u>  | <u>6,663</u>      | <u>(57.1)%</u>  |
| Net income                                     | <u>\$ 4,079</u>    | <u>\$ 9,607</u> | <u>\$(5,528)</u> | <u>(57.5)%</u>  | <u>\$ 7,890</u>   | <u>\$ 18,954</u> | <u>\$(11,064)</u> | <u>(58.4)%</u>  |

A discussion of our segment results of operations follows.

The table below presents key operating measures for the three and nine months ended June 30, 2013 and 2012:

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

|                                | Three Months Ended |                  |                   |                | Nine Months      |                 |                    |                |
|--------------------------------|--------------------|------------------|-------------------|----------------|------------------|-----------------|--------------------|----------------|
|                                | June 30,           |                  | Change            |                | Ended            |                 | Change             |                |
|                                | 2013               | 2012             | \$                | %              | 2013             | 2012            | \$                 | %              |
| <b>Revenue From:</b>           |                    |                  |                   |                |                  |                 |                    |                |
| Early and Mid Season           | \$ 2               | \$ 3             | \$ (1)            | (33.3)%        | \$ 17,923        | \$24,376        | \$ (6,453)         | (26.5)%        |
| Valencias                      | 18,953             | 21,653           | (2,700)           | (12.5)%        | 23,216           | 28,331          | (5,115)            | (18.1)%        |
| Fresh Fruit                    | 236                | 113              | 123               | 108.8%         | 2,443            | 2,540           | (97)               | (3.8)%         |
| Other                          | 18                 | 60               | (42)              | (70.0)%        | 82               | 84              | (2)                | (2.4)%         |
| Total                          | <u>\$ 19,209</u>   | <u>\$ 21,829</u> | <u>\$ (2,620)</u> | <u>(12.0)%</u> | <u>\$ 43,664</u> | <u>\$55,331</u> | <u>\$ (11,667)</u> | <u>(21.1)%</u> |
| <b>Boxes Harvested:</b>        |                    |                  |                   |                |                  |                 |                    |                |
| Early and Mid Season           | -                  | -                | -                 | NM             | 1,899            | 2,186           | (287)              | (13.1)%        |
| Valencias                      | 1,549              | 1,607            | (58)              | (3.6)%         | 1,967            | 2,171           | (204)              | (9.4)%         |
| Fresh Fruit                    | 31                 | (4)              | 35                | (875.0)%       | 251              | 274             | (23)               | (8.4)%         |
| Total                          | <u>1,580</u>       | <u>1,603</u>     | <u>(23)</u>       | <u>(1.4)%</u>  | <u>4,117</u>     | <u>4,631</u>    | <u>(514)</u>       | <u>(11.1)%</u> |
| <b>Pounds Solids Produced:</b> |                    |                  |                   |                |                  |                 |                    |                |
| Early and Mid Season           | 6                  | 3                | 3                 | 100.0%         | 11,613           | 14,030          | (2,417)            | (17.2)%        |
| Valencias                      | 10,579             | 11,448           | (869)             | (7.6)%         | 13,134           | 15,039          | (1,905)            | (12.7)%        |
| Total                          | <u>10,585</u>      | <u>11,451</u>    | <u>(866)</u>      | <u>(7.6)%</u>  | <u>24,747</u>    | <u>29,069</u>   | <u>(4,322)</u>     | <u>(14.9)%</u> |
| <b>Pounds Solids per Box:</b>  |                    |                  |                   |                |                  |                 |                    |                |
| Early and Mid Season           | NM                 | NM               | NM                | NM             | 6.12             | 6.42            | (0.30)             | (4.7)%         |
| Valencias                      | 6.83               | 7.12             | (0.29)            | (4.1)%         | 6.68             | 6.93            | (0.25)             | (3.6)%         |
| <b>Price per Pound Solid:</b>  |                    |                  |                   |                |                  |                 |                    |                |
| Early and Mid Season           | NM                 | NM               | NM                | NM             | \$ 1.54          | \$ 1.74         | \$ (0.19)          | (11.2)%        |
| Valencias                      | \$ 1.79            | \$ 1.89          | \$ (0.10)         | (5.3)%         | \$ 1.77          | \$ 1.88         | \$ (0.12)          | (6.2)%         |
| <b>Price per Box:</b>          |                    |                  |                   |                |                  |                 |                    |                |
| Fresh Fruit                    | \$ 7.61            | NM               | NM                | NM             | \$ 9.73          | \$ 9.27         | \$ 0.46            | 5.0%           |

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.

The declines for the three and nine months ended June 30, 2013 in boxes harvested, pounds solids produced and pounds solids per box are being driven by growing season fluctuations in production, primarily resulting from 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 that also contributed to the smaller harvest. Although our total production for the nine months ended June 30, 2013 declined 11.1% versus the same period of the prior year, our per acre production compared favorably to average production in the state of Florida.

The statewide environmental and horticultural factors described above have negatively impacted our crops and key operating measures presented above. The USDA, in its July 11, 2013 Citrus Forecast, indicated that it expects the Florida orange crop to decline by 13,300,000 boxes or approximately 9% versus the prior year. In six of its last seven monthly estimates, the USDA has revised its estimate of the 2012/2013 Florida orange crop downward. Over the course of these revisions, the USDA has decreased its 2012/2013 Florida Orange crop estimate a total of 13%. The USDA estimate will not be updated again until the first estimate of the 2013/2014 season is released.



The decline in Citrus Groves gross profit relates primarily to the changes in revenue discussed above plus an increase of 10.9% in growing costs for the FY2013 crop to \$19,842,000 from \$17,885,000, primarily driven by increases in the market price of fertilizer. Per box harvest and hauling costs for the three and nine months ended June 30, 2013 remained relatively in line with the three and nine months ended June 30, 2012.

#### Alico Fruit Company

The table below presents key operating measures for the three and nine months ended June 30, 2013 and 2012:

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

|                                      | Three Months Ended |           |            |         | Nine Months Ended |          |             |         |
|--------------------------------------|--------------------|-----------|------------|---------|-------------------|----------|-------------|---------|
|                                      | June 30,           |           | Change     |         | June 30,          |          | Change      |         |
|                                      | 2013               | 2012      | \$         | %       | 2013              | 2012     | \$          | %       |
| <b>Purchase and Resale of Fruit:</b> |                    |           |            |         |                   |          |             |         |
| Revenue                              | \$ 8,938           | \$ 14,149 | \$ (5,211) | (36.8)% | \$ 23,098         | \$40,571 | \$ (17,473) | (43.1)% |
| Boxes Sold                           | 731                | 965       | (234)      | (24.2)% | 2,377             | 3,235    | (858)       | (26.5)% |
| Pounds Solids Sold                   | 4,979              | 6,848     | (1,869)    | (27.3)% | 14,839            | 21,097   | (6,258)     | (29.7)% |
| Pounds Solids per Box                | 6.81               | 7.10      | (0.29)     | (4.0)%  | 6.24              | 6.52     | (0.28)      | (4.3)%  |
| Price per Pound Solids               | \$ 1.80            | \$ 2.07   | \$ (0.27)  | (13.1)% | \$ 1.56           | \$ 1.92  | \$ (0.37)   | (19.1)% |
| <b>Value Added Services:</b>         |                    |           |            |         |                   |          |             |         |
| Revenue                              | \$ 1,313           | \$ 1,510  | \$ (197)   | (13.0)% | \$ 3,592          | \$ 4,217 | \$ (625)    | (14.8)% |
| Value Added Boxes                    | 1,106              | 1,128     | (22)       | (2.0)%  | 2,756             | 3,031    | (275)       | (9.1)%  |
| Other Revenue                        | \$ 302             | \$ 1,094  | \$ (792)   | (72.4)% | \$ 1,022          | \$ 2,759 | \$ (1,737)  | (63.0)% |

The declines in Purchase and Resale of Fruit revenue, boxes sold, pounds solids sold, pounds 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.

The decline in Alico Fruit Company gross profit relates primarily to the changes in revenue outlined above.

#### Sugarcane

The table below presents key operating measures for the three and nine months ended June 30, 2013 and 2012:

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

|                                    | Three Months Ended |          |            |         | Nine Months Ended |          |           |          |
|------------------------------------|--------------------|----------|------------|---------|-------------------|----------|-----------|----------|
|                                    | June 30,           |          | Change     |         | June 30,          |          | Change    |          |
|                                    | 2013               | 2012     | \$         | %       | 2013              | 2012     | \$        | %        |
| <b>Revenue From:</b>               |                    |          |            |         |                   |          |           |          |
| Sale of Sugarcane                  | \$ 4,401           | \$ 574   | \$ 3,827   | 666.7 % | \$ 20,125         | \$13,795 | \$ 6,330  | 45.9 %   |
| Molasses Bonus                     | 135                | 78       | 57         | 73.1 %  | 812               | 512      | 300       | 58.6 %   |
| Other                              | 13                 | —        | 13         | NM      | 83                | 4        | 79        | 1975.0 % |
| Total                              | \$ 4,549           | \$ 652   | \$ 3,897   | 597.7 % | \$ 21,020         | \$14,311 | \$ 6,709  | 46.9 %   |
| Net Standard Tons Sold             | 99                 | 10       | 89         | 890.0%  | 546               | 339      | 207       | 61.1%    |
| <b>Price Per Net Standard Ton:</b> |                    |          |            |         |                   |          |           |          |
| Sale of Sugarcane                  | \$ 44.45           | \$ 57.40 | \$ (12.95) | (22.6)% | \$ 36.86          | \$ 40.69 | \$ (3.83) | (9.4)%   |
| Molasses                           | \$ 1.36            | \$ 7.80  | \$ (6.44)  | (82.5)% | \$ 1.49           | \$ 1.51  | \$ (0.02) | (1.5)%   |
| Net Standard Tons/Acre             | NM                 | NM       | NM         | NM      | 41.14             | 35.19    | 5.95      | 16.9 %   |

NM - Not Meaningful

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 has resulted from changes in market conditions in the first nine months of fiscal year 2013 versus the first nine months of fiscal year 2012.

The increase in gross profit is related primarily to the increase in revenues discussed above and a 2.3% decrease in growing costs per acre versus the nine months ended June 30, 2012. This increase is partially offset by a 5% increase in per net standard ton harvest and hauling costs versus the same period of the prior year.

#### *Cattle*

The decreases in revenue and gross profit for the three and nine months ended June 30, 2013 versus the same periods of the prior year relate to timing of the sale of cull cows and bulls from our breeding herd. We sold significantly more cull cows and bulls during the first three quarters of fiscal year 2012 than we sold during the first three quarters of fiscal year 2013. We expect to sell culls and our entire calf inventory during the fourth quarter of fiscal year 2013. We have entered into a contract to sell 6,300 calves for an average price of \$1.52 per pound in the months of July and August 2013.

#### *Land Leasing and Rentals*

The decreases in revenues and gross profit for the three and nine months ended June 30, 2013 versus the three and nine months ended June 30, 2012 relate primarily to the loss of a grazing lease due to the Polk county property sale in fiscal year 2012, the non-renewal of farmland leases by two melon farmers that generally lease our fallow sugarcane land and timing related to renewals of other leases.

#### *Other*

The increases in Other revenues for the three and nine months ended June 30, 2013 versus the same periods of the prior year relate primarily to an increase in rock mining royalties based upon the volume of rock being extracted from our owned mine.

#### *General and Administrative*

The increase in general and administrative expenses for the three and nine months ended June 30, 2013 versus the same periods of the prior year relate primarily to costs incurred related to the pursuit of a transaction as described in "Recent Events," which totaled \$494,000 and \$1,171,000 for the three and nine months ended June 30, 2013, respectively.

#### *Other Income (Expense), net*

The decrease in other income (expense), net versus both the three and nine months ended June 30, 2012 relates primarily to the non-recurring sales of real estate in Lee and Polk counties during the third quarter of fiscal year 2012, partially offset by a decrease in interest expense from \$354,000 and \$1,290,000 for the three and nine months ended June 30, 2013, respectively, to \$290,000 and \$968,000 for the three and nine months ended June 30, 2013, respectively.

### Income Tax Expense

Our effective tax rates were 38.6% and 38.8% for the three and nine months ended June 30, 2013, respectively. The corresponding rates for the three and nine months ended June 30, 2012 were both 38.1%. The change in rates relates primarily to changes in the relative magnitude of various permanent book-tax differences.

### Liquidity and Capital Resources

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

(in thousands)

|                           | <u>June 30, 2013</u> | <u>September 30, 2012</u> | <u>Change</u> |
|---------------------------|----------------------|---------------------------|---------------|
| Cash and cash equivalents | \$ 6,803             | \$ 13,328                 | \$ (6,525)    |
| Restricted cash           | \$ —                 | \$ 2,500                  | \$ (2,500)    |
| Investments               | \$ 260               | \$ 257                    | \$ 3          |
| Total current assets      | \$ 39,196            | \$ 51,467                 | \$ (12,271)   |
| Total current liabilities | \$ 12,111            | \$ 17,148                 | \$ (5,037)    |
| Working capital           | \$ 27,085            | \$ 34,319                 | \$ (7,234)    |
| Total assets              | \$ 182,652           | \$ 185,083                | \$ (2,431)    |
| Notes payable             | \$ 36,500            | \$ 39,900                 | \$ (3,400)    |
| Current ratio             | 3.24 to 1            | 3.00 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 the foreseeable future. We have a \$60,000,000 revolving line of credit ("RLOC") which was available for our general use at June 30, 2013. See Item 1. Financial Statement, Note 5. Long-Term Debt in the Notes to the Condensed Consolidated Financial Statements (Unaudited).

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

- Capital expenditures of \$16,792,000,
- Principal payments on debt of \$3,400,000
- Treasury stock purchases of \$2,877,000, and
- Dividends paid of \$1,164,000

These decreases in cash and equivalents were partially offset by the following factors:

- Cash provided by operations of \$14,753,000 and
- Proceeds from the sale of fixed assets of \$2,900,000.

In July, 2013, we 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. We expect to generate an approximate \$19,900,000 pre-tax gain which will be booked in our fourth quarter results. Additionally, a \$19,900,000 capital gain for tax purposes expects to be utilized against the \$48 million capital loss carryforward generated by the Lee County property transactions in fiscal years 2012 and 2013.

### Net Cash Provided By Operating Activities

The following table details the items contributing to Net Cash Provided by Operating Activities for the nine months ended June 30, 2013 and 2012:

(in thousands)

|   | Nine Months Ended June 30, |           | Change      |
|---|----------------------------|-----------|-------------|
|   | 2013                       | 2012      |             |
| Net Income  | \$ 7,890                   | \$ 18,954 | \$ (11,064) |
| Depreciation and Amortization                     | 7,130                      | 6,254     | 876         |
| Net (Gain) Loss on Sale of Property and Equipment | (201)                      | (7,341)   | 7,140       |
| Other Non-Cash (Income) Expenses                  | 730                        | 1,488     | (758)       |
| Change in Working Capital                         | (796)                      | 6,271     | (7,067)     |
| Cash Provided by Operations                       | \$ 14,753                  | \$ 25,626 | \$ (10,873) |

The factors contributing to the decrease in net income for the nine months ended June 30, 2013 versus the same period of the prior year are discussed in "Results of Operations." Depreciation and Amortization increased versus the nine months ended June 30, 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 decreased from the nine months ended June 30, 2012 due to the sale of real estate in Lee and Polk counties. The sale of real estate also significantly impacted the change in working capital as the income tax impact of the sale was recorded in the nine months ended June 30, 2012.

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 Used In Investing Activities

The following table details the items contributing to Net Cash Used in Investing Activities for the nine months ended June 30, 2013 and 2012:

(in thousands)

|                                       | Nine Months Ended June 30, |             | Change     |
|---------------------------------------|----------------------------|-------------|------------|
|                                       | 2013                       | 2012        |            |
| Purchases of property and equipment   | \$ (16,792)                | \$ (12,195) | \$ (4,597) |
| Real Estate Sales                     | 2,925                      | 1,896       | 1,029      |
| Return on investment in Magnolia      | —                          | 4,735       | (4,735)    |
| Other                                 | 30                         | 767         | (737)      |
| Net cash used in investing activities | \$ (13,837)                | \$ (4,797)  | \$ (9,040) |

The 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 the approximately 1,200 acres of 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 cash provided by real estate sales relates to the timing of the closings of the various sales recorded in the statement of operations for fiscal year 2012. The decrease in the return on investment in Magnolia versus the first nine months of fiscal year 2012 relates primarily to the suspension of cash distributions by Magnolia while it converts a large portion of its tax certificate portfolio to tax deeds.

### Net Cash Used In Financing Activities

The following table details the items contributing to Net Cash Used in Financing Activities for the nine months ended June 30, 2013 and 2012:

(in thousands)

|  | Nine Months Ended June 30, |             | Change    |
|--|----------------------------|-------------|-----------|
|  | 2013                       | 2012        |           |
| Principal payments on notes payable        | \$ (3,400)                 | \$ (2,462)  | \$ (938)  |
| Net repayments on revolving line of credit | –                          | (13,979)    | 13,979    |
| Treasury stock purchases                   | (2,877)                    | (288)       | (2,589)   |
| Dividends paid                             | (1,164)                    | (1,469)     | 305       |
| Net cash used in financing activities      | \$ (7,441)                 | \$ (18,198) | \$ 10,757 |

The increase in principal payments on notes payable for the nine months ended June 30, 2013 relates to the payoff of the Farm Credit Mortgage (see “Note 5. Long-Term Debt” in the Notes to Condensed Consolidated Financial Statements). During the nine months ended June 30, 2012, we paid down the revolving line of credit as shown above. No such payments were made in the current year to date period. We increased our repurchases of stock for the nine months ended June 30, 2013 (see “Note 7. Stockholders’ Equity” in the Notes to Condensed 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 \$20,600,000 at June 30, 2013 for delivery in fiscal years 2014 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.

### Contractual Obligations and Off Balance Sheet Arrangements

There have been no material changes during this reporting period to the disclosures set forth in Part II, Item 7 in our Form 10-K for the fiscal year ended September 30, 2012.

### ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes during this reporting period in the disclosures set forth in Part II, Item 7A in our Form 10-K for the fiscal year ended September 30, 2012.

### ITEM 4. Controls and Procedures

#### (a) Evaluation of disclosure controls and procedures

As of the end of the period covered by this report, an evaluation, as required by Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934 as amended (“Exchange Act”), was carried out under the supervision and with the participation of our management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of our disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the design and operation of our disclosure controls and procedures are effective to ensure that all information required to be disclosed in the reports that we file or submit under the Exchange Act was recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and to provide reasonable assurance that information required to be disclosed by us in such reports is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

*(b) Changes in internal control over financial reporting*

There have been no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15(f) or Rule 15d-15(f) under the Exchange Act that occurred during our last fiscal quarter that have materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**PART II. OTHER INFORMATION**

**ITEM 1. Legal Proceedings.**

See Part I, Item I, Financial Statements, Note 4. Income Taxes and Note 9. Contingencies in the Notes to Condensed Consolidated Financial Statements (Unaudited).

**ITEM 1A. Risk Factors.**

There have been no material changes in the risk factors set forth in Part 1, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended September 30, 2012.

**ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

There were no sales of unregistered equity securities during the period.

The Board of Directors has authorized the repurchase of up to 350,000 shares of our common stock from shareholders. Stock repurchases will be made on a quarterly basis until November 30, 2013, through open market transactions, at times and in such amounts as the Company's broker determines, subject to the provisions of SEC Rule 10b-18. Through June 30, 2013, the Company had purchased 165,056 shares and had available to purchase an additional 184,944 in accordance with its Board of Directors repurchase authorization.

|                    | <u>Total Number of<br/>Shares Purchased</u> | <u>Average Price Paid<br/>Per Share</u> | <u>Total Number of<br/>Shares Purchased<br/>As Part of Publicly<br/>Announced Plans or<br/>Programs</u> | <u>Maximum Number of<br/>Shares that May Yet<br/>Be Purchased Under<br/>the Plans or<br/>Programs</u> |
|--------------------|---|---|---|---|
| Month of June 2013 | 1,680                                       | \$ 39.97                                | 1,680   | 184,944   |

**ITEM 3. Defaults Upon Senior Securities.**

None.

**ITEM 4. Mine Safety Disclosure.**

None.

**ITEM 5. Other Information.**

None.

## ITEM 6. Exhibits

| Exhibit No. | Description of Exhibit  |  |
|-------------|---|--|
| 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         | 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). |
| 10.1        | * 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)    |
| 10.2        | * 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)    |
| 10.3        | * 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)    |
| 10.4        | * 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)    |
| 10.5        | * 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)    |
| 10.6        | * 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)    |
| 10.7        | * 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)    |
| 31.1        | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | Filed herewith   |
| 31.2        | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | Filed herewith   |
| 32.1        | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.                        | Furnished herewith   |
| 32.2        | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.                        | Furnished herewith   |

|         |   |                |
|---------|---|----------------|
| 101.INS | ** XBRL Instance Document                                 | Filed herewith |
| 101.SCH | ** XBRL Taxonomy Extension Schema Document                | Filed herewith |
| 101.CAL | ** XBRL Taxonomy Calculation Linkbase Document            | Filed herewith |
| 101.DEF | ** XBRL Taxonomy Definition Linkbase Document             | Filed herewith |
| 101.LAB | ** XBRL Taxonomy Label Linkbase Document                  | Filed herewith |
| 101.PRE | ** XBRL Taxonomy Extension Presentation Linkbase Document | Filed herewith |

\* 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.



## SIGNATURES

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

ALICO, INC.  
(Registrant)

Date: August 6, 2013

By: /s/JD Alexander  
JD Alexander  
Chief Executive Officer and President

Date: August 6, 2013

By: /s/W. Mark Humphrey  
W. Mark Humphrey  
Chief Financial Officer and Senior Vice President

## Index to Exhibits

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\* 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.

**CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.**

I, JD Alexander certify that;

1. I have reviewed this Quarterly Report on Form 10-Q of Alico, Inc. (Alico),
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, and is not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Alico as of, and for, the periods presented in this report;
4. Alico's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for Alico and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Alico, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c) Evaluated the effectiveness of Alico's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in Alico's internal control over financial reporting that occurred during Alico's most recent fiscal quarter ended March 31, 2013, that has materially affected, or is reasonably likely to materially affect, Alico's internal control over financial reporting; and
5. Alico's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Alico's auditors and audit committee of Alico's Board of Directors:
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 6, 2013

/s/ JD Alexander  
JD Alexander  
Chief Executive Officer and President

**CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.**

I, W. Mark Humphrey that;

1. I have reviewed this quarterly report on Form 10-Q of Alico, Inc. (Alico),
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, and is not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Alico as of, and for, the periods presented in this report;
4. Alico's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for Alico and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Alico, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c) Evaluated the effectiveness of Alico's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in Alico's internal control over financial reporting that occurred during Alico's most recent fiscal quarter ended March 31, 2013, that has materially affected, or is reasonably likely to materially affect, Alico's internal control over financial reporting; and
5. Alico's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Alico's auditors and audit committee of Alico's Board of Directors:
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 6, 2013

/s/ W. Mark Humphrey  
W. Mark Humphrey  
Chief Financial Officer and Senior Vice President

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Alico, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2013, as filed with the Securities and Exchange Commission on August 6, 2013, (the "Form 10-Q"), I, JD Alexander, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 6, 2013

/s/ JD ALEXANDER  
JD Alexander  
Chief Executive Officer and President

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Alico, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2013, as filed with the Securities and Exchange Commission on August 6, 2013, (the "Form 10-Q"), I, W. Mark Humphrey, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 6, 2013

/s/ W. Mark Humphrey  
W. Mark Humphrey  
Chief Financial Officer and Senior Vice President