UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended September 30, 2008

OR

o **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	**59-0906081**
(State or other jurisdiction of incorporation or organization)	(IRS Employer identification number)
P.O. Box 338, La Belle, Florida	**33975**
(Address of principal executive offices)	(Zip code)

Registrant's telephone number including area code **(863) 675-2966**

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

Title of class:	Name of each exchange on which registered:
COMMON CAPITAL STOCK, $1.00 Par value, Non-cumulative	**NASDAQ**

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as define in Rule 405 of the Securities Act.

Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes o No þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that such registrant was required to file such reports), and (2) has been subject to such filings requirements for the past 90 days.

Yes þ No o

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

Yes o No þ

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

Large accelerated filer o Accelerated filer þ Non-accelerated filer o Smaller Reporting Company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.)

Yes o No þ

The aggregate market value of the voting and nonvoting common equity held by non-affiliates based on the closing price, as quoted on the NASDAQ as of March 31, 2008 (the last business day of Alico's most recently completed second fiscal quarter) was $159,530,550. There were 7,377,106 shares of stock outstanding at December 12, 2008.

Documents Incorporated by Reference:

Portions of the Proxy Statement of Registrant to be dated on or before January 20, 2009 are incorporated by reference in Part III of this report.

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PART I

Item 1. Business.

Alico, Inc. (the “Company”), which was formed February 29, 1960 as a spin-off of the Atlantic Coast Line Railroad Company, is a land management company operating in Central and Southwest Florida. Alico’s primary asset is 135,466 acres of land located in Collier, Glades, Hendry, Lee and Polk Counties. (See Item 2 for location and acreage by current primary use.) Alico is involved in a variety of agribusiness pursuits in addition to land leasing and rentals, rock and sand mining and real estate sales activities.

Alico’s land is managed for multiple uses wherever possible. For example, cattle ranching, forestry and land leased for grazing, recreation and oil exploration utilize the same acreage in some instances.

The relative contribution of each operation to the operating revenue, profit and total assets of Alico during the past three years (all revenues are from external customers within the United States) are discussed under the caption “segments” and in Note 10 to the Consolidated Financial Statements.

Alico’s retail land sales and development business is handled solely through its wholly owned subsidiary, Alico Land Development, Inc. (formerly known as Saddlebag Lake Resorts, Inc.) However, Alico has from time to time directly sold properties which, in the judgment of Management and the Board of Directors, were surplus to Alico’s primary operations. Additionally, Alico’s wholly owned subsidiary, Alico-Agri, Ltd., has also engaged in bulk land sales. Alico through its subsidiary Alico Land Development, Inc., has recently taken actions to enhance the planning and strategic positioning of all Company owned land. These actions include seeking entitlement of Alico’s land assets in order to preserve rights should Alico choose to develop property in the future.

On September 28, 2007, the Board of Directors of Alico approved a change in Alico’s fiscal year end from August 31 to September 30. The fiscal year change is effective beginning with Alico’s 2008 fiscal year. Alico’s 2008 fiscal year began on October 1, 2007 and ended September 30, 2008, resulting in a one month transition period that began September 1, 2007 and ended September 30, 2007. Accordingly, information is presented for the year ended September 30, 2008, the one month transition period ended September 30, 2007, and for prior fiscal years ended August 31.

Subsidiary Operations

Alico has five wholly owned subsidiaries: Agri-Insurance Company, Ltd. (“Agri”), Alico-Agri, Ltd. (“Alico-Agri”), Alico Plant World, LLC (“Plant World”), Bowen Brothers Fruit LLC (“Bowen”), and Alico Land Development, Inc (formerly known as Saddlebag Lake Resort, Inc.).

Agri

Agri is a Bermuda based captive insurer and was created to write crop insurance against catastrophic losses due to weather and disease. Agri provided crop insurance to Alico and other Florida based third parties during the years from 2000 to 2005. Due to several hurricanes which impacted the State of Florida during the fall of 2004 and 2005, Agri sustained losses related to its underwriting activities which caused Agri to suspend additional insuring activities until an updated feasibility study of its insuring activities could be completed. Based on the findings of the study, along with the history of losses, Agri ceased issuing policies. Alico is currently working to dissolve Agri.

Alico-Agri

Alico-Agri, Ltd. was formed during fiscal year 2003 to manage the real estate holdings of Agri. Agri transferred all of its property holdings, consisting solely of the Lee County, Florida properties surrounding Florida Gulf Coast University, and the related contracts to Alico-Agri for a 99% partnership interest. Alico, the managing partner, transferred cash for a 1% interest in the partnership. Upon the dissolution of Agri, the partnership interest in Alico-Agri will be transferred to Alico Land Development, Inc.

Plant World

In September 2004, Alico, through Alico-Agri, purchased the assets of La Belle Plant World, Inc. a wholesale grower and shipper of vegetable transplants to commercial farmers. The purchase price was $4.9 million for the land, office building, greenhouses and associated equipment. Alico Plant World, LLC was set up as a wholly owned subsidiary of Alico-Agri, Ltd. Due to ongoing losses sustained by Alico Plant World, Alico discontinued the transplant operations in June 2008 and leased Plant World’s facilities to an outside nursery operation.

Bowen

Alico, through its newly formed subsidiary Bowen, purchased the assets of Bowen Brothers Fruit Co., Inc. for $1.9 million in February 2006. The purchase was made to provide Alico with additional marketing expertise and the ability to harvest its own fruit crop. Bowen provides harvesting, hauling and marketing services to Alico and other outside citrus growers in the state of Florida.

Alico Land Development

Alico Land Development, Inc. (formerly known as Saddlebag Lake Resorts, Inc.) has been active in the subdivision, development and sale of real estate since its inception in 1971. Alico Land Development has developed and sold two subdivisions near Frostproof, Florida. Through its Alico Land Development subsidiary, Alico has recently taken actions to enhance the planning and strategic positioning of all Company owned land. These actions include seeking entitlement of Alico’s land assets in order to preserve rights should Alico choose to develop property in the future.

The financial results of the operations of these subsidiaries are consolidated with those of Alico. Intercompany activities and balances are eliminated in consolidation. (See Note 1 to the Consolidated Financial Statements.)

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Segments

Alico engages in a variety of agricultural pursuits as well as other land management activities. For further information concerning segments please refer to Note 10 to the Consolidated Financial Statements.

	Year ended Sept. 30, 2008	One month Sept. 30, 2007 (1)	Fiscal years ended Aug. 31, 2007	Fiscal years ended Aug. 31, 2006
Revenues				
Agriculture:				
Bowen	$ 45,499	$ 143	$ 52,716	$ 30,869
Citrus groves	41,167	5	47,484	22,188
Sugarcane	9,671	—	9,432	8,926
Cattle	6,793	330	9,977	5,700
Vegetables	5,460	—	3,803	2,389
Sod	1,118	92	2,180	1,528
Native trees and shrubs	125	—	249	142
Agriculture operations revenue	109,833	570	125,841	71,742
Real estate activities	3,870	—	3,329	113
Land leasing and rentals	2,276	141	1,495	1,369
Mining royalties	403	47	1,340	940
Total operating revenue	**$ 116,382**	**$ 758**	**$ 132,005**	**$ 74,164**

	Year ended Sept. 30, 2008	One month Sept. 30, 2007 (1)	Fiscal years ended Aug. 31, 2007	Fiscal years ended Aug. 31, 2006
Gross profit (loss):				
Agriculture:				
Bowen	$ 1,470	$ (79)	$ 930	$ (268)
Citrus groves	13,530	2	24,057	7,614
Sugarcane	421	—	599	360
Cattle	(2,127)	41	255	786
Vegetables	(141)	—	496	985
Sod	(1,535)	(116)	862	688
Native trees and shrubs	125	—	249	142
Gross profit from agricultural operations	11,743	(152)	27,448	10,307
Real estate activities	341	(59)	(79)	52
Land leasing and rentals	1,668	105	1,102	917
Mining royalties	305	37	1,214	940
Net casualty (recovery)	—	—	—	4,036
Subtotal	14,057	(69)	29,685	16,252
Profits from the sale of bulk real estate	817	—	1,257	4,369
Net interest and investment income	1,180	(137)	1,685	5,092
Corporate general and administrative and other	(11,216)	(819)	(12,502)	(10,533)
Income from operations before income taxes	4,838	(1,025)	20,125	15,180
Provision for income taxes	(765)	176	33,520	7,159
Net income (loss) from continuing operations	**$ 5,603**	**$ (849)**	**$ (13,395)**	**$ 8,021**

(1) Alico changed its fiscal year end from August 31 to September 30. The year ended September 30, 2008 was the first full year on the new fiscal year. Results for September 30, 2007 are for the one month transition period.

	Sept. 30, 2008	Sept. 30, 2007
Total Assets:		
Agriculture:		
Bowen	$ 2,581	$ 2,891
Citrus groves	49,201	53,339
Sugarcane	43,525	45,128
Cattle	18,343	20,837
Vegetables	4,213	3,238
Sod	3,906	5,400
Subtotal Agriculture	121,769	130,833
Other Corporate assets	152,163	154,516
Total assets	**$ 273,932**	**$ 285,349**

Agricultural Operations

Bowen Brothers

Bowen's operations include harvesting, hauling and marketing citrus for both Alico and other growers in the state of Florida. Bowen's operations also include the purchase and resale of citrus fruit. Bowen Brothers was purchased in February 2006 to provide Alico with additional citrus marketing expertise and the ability to harvest its own citrus crop. During fiscal years ended September 30, 2008, August 31, 2007 and August 31, 2006, Bowen harvested approximately 4.2 million, 2.3 million and 900 thousand boxes of Alico's fruit, respectively. Bowen harvested 2.2 million, 2.0 million and 2.7 million boxes of fruit for other growers during fiscal years ended September 30, 2008, August 31, 2007 and August 31, 2006, respectively.

Citrus Groves

Alico's Citrus Grove operations consist of cultivating citrus trees in order to produce citrus for delivery to the fresh and processed citrus markets in the state of Florida. Approximately 10,582 acres of citrus were grown and harvested during the 2007-08 season. During the fiscal year ended September 30, 2008, Alico sold approximately 37% of its citrus crop to Southern Gardens, a wholly owned subsidiary of U.S. Sugar Corporation (USSC). The balance of the sales concentration is attributable to citrus contracts with Florida Orange Marketers, which represented approximately 30% of Alico's citrus sales and Cutrale, which represented approximately 29% of the Alico's citrus sales. While Alico believes that it can replace these arrangements with other marketing alternatives, it may not be able to do so quickly and the results may not be as favorable as the current contracts.

Sugarcane

Alico's sugarcane operations consist of cultivating raw sugarcane for sale to a sugar processor. The crop is harvested by a co-op, proportionately owned by sugarcane growers, including Alico. Alico had 9,110 acres, 10,254 acres and 10,138 acres of sugarcane in production during the fiscal years ended September 30, 2008, August 31, 2007 and August 31, 2006, respectively. Since the inception of its sugarcane program in 1988, Alico has sold 100% of its product through a pooling agreement with USSC, a local Florida sugar mill. Under the terms of the pooling agreement, Alico's sugarcane is processed and sold along with sugarcane from other growers. The proceeds, less costs and a profit margin, are distributed on a pro rata basis as the finished product is sold.

Florida Governor Charlie Crist has announced that the South Florida Water Management District (SFWMD) is negotiating a purchase of the land holdings of USSC. USSC and its subsidiary Southern Gardens, is Alico's largest customer accounting for approximately 21% of fiscal year 2008 operating revenue. Under the most recent terms of the proposal, USSC will retain ownership and continue operation of its sugar mill, sugar refinery and citrus plant. USSC would lease back the property sold to SFWMD for a period of seven crop cycles.

At the present time, Alico is unable to assess the impact of this potential transaction on its operations. As the potential sale progresses and more details become known, Alico will continue to assess its options and strategies going forward.

Cattle

Alico's cattle operations, located in Hendry and Collier Counties, Florida, is engaged primarily in the production of beef cattle, feeding cattle at western feedlots and the raising of replacement heifers. The breeding herd consists of approximately 10,014 cows, bulls and replacement heifers. Approximately 69% of the herd is from one to five years old, while the remaining 31% is at least six years old. Alico primarily sells to packing and processing plants in the United States. Alico also sells cattle through local livestock auction markets and to contract cattle buyers in the United States. These buyers provide ready markets for Alico's cattle. In the opinion of Management, the loss of any one or a few of these processing plants and/or buyers would not have a material adverse effect on Alico's cattle operation.

Vegetables

In the fiscal year ended August 31, 2006 Alico began growing vegetables. During the fiscal year ended September 30, 2008, Alico harvested 356,591 crates of corn from 944 acres and 149,478 bushels of beans from 909 acres. In the fiscal year ended August 31, 2007, Alico harvested 218,063 crates of corn from 809 acres and 124,642 bushels of beans from 878 acres. During fiscal year 2006, Alico harvested 119,000 crates of corn from 500 acres, and 77,000 bushels of beans from 500 acres.

Alico has marketing agreements for its vegetable products through local packing facilities and brokers in the state of Florida for sale to wholesale and retail outlets in the United States. In the opinion of Management, the loss of any one or a few of these facilities or brokers would not have a material adverse effect on Alico's vegetable operation.

In December of 2006, Alico entered into a joint venture with J&J Produce, Inc. of Loxahatchee, Florida, to farm cucumbers, squash and zucchini on Alico's property. Effective June 30, 2008, Alico discontinued its participation in the joint venture vegetable farm. The parties to the joint venture each held a 50% interest in the earnings, assets and liabilities of the farm. Alico is currently working to dissolve the joint venture and distribute the remaining assets equitably among the members.

Sod

Alico is also engaged in the cultivation and sale of sod for landscaping purposes. Alico harvested approximately 44.8 million, 64.4 million, and 28.5 million square feet of sod in the fiscal years ended September 30, 2008, August 31, 2007 and August 31, 2006, respectively. Customers consist of landscaping companies in the state of Florida, the loss of any one or a few of which would not have a material adverse effect on Alico's sod operation.

Real Estate

Alico Land Development, Inc. (formerly known as Saddlebag Lake Resorts, Inc.) has been active in the subdivision, development and sale of real estate since its inception in 1971. Alico Land Development Inc. has developed and sold two subdivisions near Frostproof, Florida. Through its Alico Land Development subsidiary, Alico has developed a plan to enhance the planning and strategic positioning of all Company owned land. These actions include seeking entitlement of Alico's land assets in order to preserve rights should Alico choose to develop property in the future.

Non Agricultural Operations

Mining Operations: Rock and Sand

In May 2006, Alico paid $10.6 million to purchase a 526 acre riverfront mine site for rock and fill in Glades County, Florida. Alico allocated approximately 54% of the purchase price to the rock and sand reserves, with the remaining 46% of the purchase price allocated as residual land value based on the present value of the expected rock royalties over 20 years and the expected residual value of the property after that time. Rock and sand reserves are depleted and charged to cost of goods sold proportionately as the property is mined.

Additionally, Alico Land Development Inc. is currently seeking a permit for two rock mines in Hendry and Lee Counties.

Land Rentals for Grazing, Agricultural, Oil Exploration and Other Uses

Alico rents land to others on a tenant-at-will basis, for grazing, farming, oil exploration and recreational uses. Alico will continue to develop additional land to lease for farming as strategically advantageous. There were no significant changes in the method of rental for these properties during the past fiscal year.

Competition

As indicated, Alico is primarily engaged in a variety of agricultural and nonagricultural activities, all of which are in highly competitive markets. For instance, citrus is grown in foreign countries and several states, the most notable of which are: Brazil, Florida, California, and Texas. Beef cattle are produced throughout the United States and domestic beef sales also compete with imported beef. Sugarcane products compete with products from sugar beets in the United States as well as imported sugar and sugar products from foreign countries. Sod is produced throughout the United States, as are vegetables. Forest and rock products are produced in most parts of the United States. Leasing of land is also widespread.

Alico's share of each of the United States markets for citrus, sugarcane, cattle, sod, vegetables, mining and forest products is less than 3%.

Environmental Regulations

Alico's operations are subject to various federal, state and local laws regulating the discharge of materials into the environment. Management believes Alico is in compliance with all such rules and such compliance has not had a material effect upon capital expenditures, earnings or Alico's competitive position.

While compliance with environmental regulations has not had a material economic effect on Alico's operations, executive officers are required to spend a considerable amount of time monitoring these matters. In addition, there are ongoing costs incurred in complying with permitting and reporting requirements.

Employees

At September 30, 2008, Alico and its subsidiaries had a total of 203 full-time employees classified as follows: Bowen 14; Citrus 85; Sugarcane 12; Ranch 15; Vegetables 14; Sod 6; Real Estate 2; Leasing 1; Facilities Maintenance Support 32; General and Administrative 22. Management is not aware of any efforts by employees or outside organizers to create any type of labor union. Management believes that the employer/employee relationship environment is such that labor organization activities are unlikely to occur.

Seasonal Nature of Business

As with any agribusiness enterprise, Alico's business operations are predominantly seasonal in nature. The harvest and sale of citrus fruit generally occurs in all quarters, but is more concentrated during the first, second and third fiscal quarters. Sugarcane is harvested during the first and second fiscal quarters. Vegetable harvest and sales generally occur in the first, second and third fiscal quarters. Other segments of Alico's business such as its cattle and sod sales, timber, mining and leasing operations, tend to be recurring rather than seasonal in nature.

Capital resources and raw materials

Management believes that Alico will be able to meet its working capital requirements for the foreseeable future with internally generated funds. Additionally, Alico has credit commitments that provide for revolving credit that is available for Alico's general use. Raw materials needed to propagate the various crops grown by Alico which consist primarily of fertilizer, herbicides, fuel and water are readily available from local sources.

Available Information

Alico's internet address is: http://www.alicoinc.com. As required by SEC rules and regulations, Alico files reports with the SEC on Form 8-K, Form 10-Q, Form 10-K and the annual proxy statement. These reports are available to the public to read and copy at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C.

Alico is an electronic filer with the SEC and these reports are also available through the SEC internet site (http://www.sec.gov), and through Alico's website as soon as reasonably practicable after filing with the SEC. Copies of documents filed with the SEC are also available free of charge upon request.

Item 1A. Risk Factors.

Alico's operations involve varying degrees of risk and each investor should consider the specific risks and speculative features inherent in and affecting the business of Alico before investing in Alico. In considering the following risk and speculative factors, an investor should realize that there is a possibility of losing his or her entire investment.

Alico's financial condition and results of operations could be affected by the risk factors discussed below. These factors may also cause actual results to differ materially from the results contemplated by the forward looking statements in Management's Discussion and Analysis.

The list of risks below is not intended to be all inclusive. A complete listing of risks is beyond the scope of this document. However, in contemplating the financial position and results of operations of Alico, investors should carefully consider, among other factors, the following risk factors:

General

Alico has a 51% stockholder and a limited public float which could adversely affect the price of its stock and restrict the ability of the minority shareholders to have a voice in corporate governance.

Atlantic Blue Group, Inc. (AtlanticBlue) (formerly Atlantic Blue Trust, Inc.) is the owner of approximately 51% of Alico's common stock. Accordingly, Alico's common stock is thinly traded and its market price may fluctuate significantly more than stocks with a larger public float. Additionally by virtue of its ownership percentage, AtlanticBlue is able to elect all directors and, consequently, is deemed to control Alico. While AtlanticBlue has issued a governance letter dated September 29, 2006 reaffirming its commitment to maintaining a majority of independent directors on Alico's Board of Directors, this commitment may be terminated at any time upon 30 days prior written notice. Alico does not have cumulative voting. Accordingly, stockholders of Alico other than AtlanticBlue have no effective control over who the management and directors of Alico are or will be.

Alico manages its properties in an attempt to capture its highest and best use and customarily does not sell property until it determines that the property is surplus to its agricultural activities by reason of its potential for industrial, commercial or residential use. Alico has little control over when this occurs as real estate sales are primarily market driven.

Alico's goal for its land management program is to manage and selectively improve its lands for their most profitable use. To this end, Alico continually evaluates its properties focusing on soil capabilities, subsurface composition, topography, transportation, availability of markets for its crops and the climatic characteristics of each of the tracts. While Alico is primarily engaged in agricultural activities, when land is determined to be better suited to industrial, commercial or residential use, Alico has classified the property as surplus to its agricultural activities and sold it. Alico's land management strategy is thus a long term strategy to acquire, hold and manage land for its best use, selling surplus land at opportune times and in a manner that would maximize Alico's profits from such surplus tracts. The timing for when agricultural lands become best suited for industrial, commercial or residential use depends upon a number of factors which are beyond the control of Alico such as:

- population migration;
- national, regional and local economic conditions;

- conditions in local real estate markets (e.g., supply of land versus demand);
- competition from other available property;
- current level of, or potential availability of roads and utilities;
- availability of governmental entitlements;
- government regulation and changes in real estate, zoning, land use, environmental or tax laws;
- interest rates and the availability of financing, and;
- potential liability under environmental and other laws.

Alico is not able to predict when its properties will become best suited for non-agricultural use and has limited ability to influence this process. Additionally, changes from time to time in any or a combination of these factors could result in delays in sales, Alico’s ability to sell tracts which are determined to be surplus or its ability to realize optimum pricing from such sales.

Alico carries large receivables from seller-financed sales of large tracts of surplus land the collectibility of which is subject to credit risk relating to debtors.

The Company’s sale of surplus lands often involves buyer financing provided by the Company. In addition to the cash deposit paid by a buyer of surplus land, the Company at times takes a mortgage for the unpaid balance of the purchase price of the land sales contract. The collectability of the amounts owed and the likelihood that the Company will achieve the profitability promised by any sales contract is dependent on the creditworthiness of the mortgagors, which often depends upon their continued financial success. The purchasers of the surplus tracts are often developers, whose success is in turn directly affected by multiple factors in the national and local real estate markets, including but not limited to interest rates, demand for housing, competition from other available land, governmental regulation, permitting, and unanticipated costs of construction. Depending on the magnitude of its debt to the Company, a mortgagor’s default on a sales contract or the bankruptcy of any material purchaser of surplus land could have a materially adverse effect on the Company. Additionally, if a borrower defaults on a secured property and the Company repossesses the property, the Company cannot predict, under the current real estate market conditions, if the repossessed property can be sold in the near term or, if the Company is able to sell the repossessed property, if such sale will result in a gain equal to the anticipated gain under the original sales contract for such property.

Alico is subject to environmental liability by virtue of owning significant holdings of real estate assets.

Alico faces a potential for environmental liability by virtue of its ownership of real property. If hazardous substances (including herbicides and pesticides used by Alico or by any persons leasing Alico's lands) are discovered on or emanating from any of Alico's lands and the release of such substances presents a threat of harm to the public health or the environment, Alico may be held strictly liable for the cost of remediation of these hazardous substances. In addition, environmental laws that apply to a given site can vary greatly according to the site's location, its present and former uses, and other factors such as the presence of wetlands or endangered species on the site. Although Alico purchases insurance when it is available for environmental liability, these insurance contracts may not be adequate to cover such costs or damages or may not continue to be available to Alico at prices and terms that would be satisfactory. It is possible that in some cases the cost of compliance with these environmental laws could exceed the value of a particular tract of land or be significant enough that it would have a materially adverse effect on Alico.

Alico has a large customer that accounts for 21% of revenues.

For the fiscal year ended September 30, 2008, Alico's largest customer accounted for approximately 21% of operating revenue. Alico's largest customer is U.S. Sugar Corporation (USSC), for whom Alico grows sugarcane. Additionally, Alico sells citrus to Southern Gardens, a wholly owned subsidiary of USSC. These marketing arrangements involve marketing pools which allow the contracting party to market Alico's product in conjunction with the product of other entities in the pool and pay Alico a proportionate share of the resulting revenue from the sale of the entire pooled product. While Alico believes that it can replace these arrangements with other marketing alternatives, it may not be able to do so quickly and the results may not be as favorable as the current contracts.

Florida Governor Charlie Crist has announced that the South Florida Water Management District (SFWMD) is negotiating a purchase of the land holdings of USSC. Under the terms of the most recent proposal, USSC will retain ownership and continue operation of its sugar mill, sugar refinery and citrus plant. USSC would lease back the property sold to SFWMD for a period of seven crop cycles.

At the present time, Alico is unable to assess the impact of this potential transaction on its operations. As the potential sale progresses and more details become known, Alico will continue to assess its options and strategies going forward.

Agricultural Risks — General

Agricultural operations generate a large portion of Alico's revenues. Agriculture operations are subject to a wide variety of risks including product pricing due to variations in supply and demand, weather, disease, input costs and product liability.

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

Because Alico's agricultural products are commodities, Alico is not able to predict with certainty what price it will receive for its products; however, its costs are relatively fixed. Additionally, the growth cycle of such products in many instances dictates when such products must be marketed which may or may not be advantageous in obtaining the best price. Excessive supplies tend to cause severe price competition and lower prices throughout the industry affected. Conversely, shortages may cause higher prices. Shortages often result from adverse growing conditions which can reduce the available product of growers in affected growing areas while not affecting others in non-affected growing areas. Since multiple variables which can affect pricing are incurred before pricing and supply are known, Alico cannot accurately predict or control from year to year what its profits or losses from agricultural operations will be.

Alico's agricultural assets are concentrated and the effects of adverse weather conditions such as hurricanes can be magnified.

Alico's agricultural operations are concentrated in south Florida counties with more than 80% of its agricultural lands located in a contiguous parcel in Hendry County. All of these areas are subject to occasional periods of drought, excess rain, flooding, and freeze. Crops require water in different quantities at different times during the growth cycle. Accordingly, too much or too little water at any given point can adversely impact production. While Alico attempts to mitigate controllable weather risks through water management and crop selection, its ability to do so is limited. Alico's operations in southern and central Florida are also subject to the risk of hurricanes. Hurricanes have the potential to destroy crops and impact citrus production through the loss of fruit and destruction of trees either as a result of high winds or through the spread of wind blown disease. Alico was impacted by hurricanes during fiscal years 2006, 2005 and 2004 and sustained losses relating to the storms during all three fiscal years. Alico seeks to minimize hurricane risk by the purchase of insurance contracts, but a portion of Alico's crops remain uninsured. Because Alico's agricultural properties are located in relative close proximity to each other, the impact of adverse weather conditions may be magnified in Alico's results of operations.

Water Use Regulation restricts Alico's access to water for agricultural use.

Alico's agricultural operations are dependent upon the availability of adequate surface and underground water needed to produce its crops. The availability of water for use in irrigation is regulated by the State of Florida through water management districts which have jurisdiction over various geographic regions in which Alico's lands are located. Currently, Alico has permits for the use of underground and surface water which are adequate for its agricultural needs. Surface water in Hendry County, where much of Alico's agricultural land is located, comes from Lake Okeechobee via the Caloosahatchee River and the system of canals used to irrigate such land. Since the Army Corps of Engineers controls the level of Lake Okeechobee, this organization ultimately determines the availability of surface water even though the use of water has been permitted by the State of Florida through the water management district. Recently the Army Corps of Engineers decided to lower the permissible level of Lake Okeechobee in response to concerns about the ability of the levees surrounding the lake to restrain rising waters which could result from hurricanes. Changes in permitting for underground or surface water use during times of drought, because of lower lake levels, may result in shortages of water for agricultural use by Alico and could have a materially adverse effect on Alico's agricultural operations and financial results.

Alico's citrus groves are subject to damage and loss from disease including but not limited to Citrus Canker and Citrus Greening diseases.

Alico's citrus groves are subject to damage and loss from diseases such as Citrus Canker and Citrus Greening. Each of these diseases are widespread in Florida and Alico has found instances of Citrus Canker and/or Citrus Greening in several of its groves. Both diseases are present in areas where Company groves are located. There is no known cure for Citrus Canker at the present time although some pesticides inhibit the development of the disease. The disease is spread by contact with infected trees or by wind blown transmission. Alico's policy is to destroy trees which become infected with this disease or with Citrus Greening disease. Alico maintains an inspection program to discover infestations early. Citrus Greening destroys infected trees and is spread by psyllids. Alico utilizes a pesticide program to control these hosts. There is no known pesticide or other treatment for Citrus Greening once trees are infected at the present time. Both of these diseases pose a significant threat to the Florida Citrus industry and to Alico's citrus groves. Wide spread dissemination of these diseases in Alico's groves could cause a material adverse effect to Alico's operating results and citrus grove assets.

Pesticide and herbicide use by Alico or its lessees could create liability for Alico.

Alico and some of the parties to whom Alico leases land for agricultural purposes, use herbicides, pesticides and other hazardous substances in the operation of their businesses. All pesticides and herbicides used by Alico have been approved for use by the proper governmental agencies with the hazards attributable to each substance appropriately labeled and described. Alico maintains policies requiring its employees to apply such chemicals strictly in accordance with the labeling. However, Alico does not have any knowledge or control over the chemicals used by third parties who lease Alico's lands for cultivation. It is possible that some of these herbicides and pesticides could be harmful to humans if used improperly, or that there may be unknown hazards associated with such chemicals despite any contrary government or manufacturer labels. Alico might have to pay the costs or damages associated with the improper application, accidental release or the use or misuse of such substances.

Changes in immigration laws or enforcement of such laws could impact the ability of Alico to harvest its crops.

Alico engages third parties to provide personnel for its harvesting operations. The personnel engaged by such companies could be from pools composed of immigrant labor. The availability and number of such workers is subject to decrease if there are changes in the U.S. immigration laws or by stricter enforcement of such laws. The scarcity of available personnel to harvest Alico's agricultural products could cause Alico's harvesting costs to increase or could lead to the loss of product that is not timely harvested which could have a materially adverse effect upon Alico.

Changing public perceptions regarding the quality, safety or health risks of Alico's agricultural products can affect demand and pricing of such products.

The general public's perception regarding the quality, safety or health risks associated with particular food crops Alico grows and sells could reduce demand and prices for some of Alico's products. To the extent that consumer preferences evolve away from products Alico produces for health or other reasons, and Alico is unable to modify its products or to develop products that satisfy new customer preferences, there could be decreased demand for Alico's products. Even if market prices are unfavorable, produce items which are ready to be or have been harvested must be brought to market. Additionally, Alico has significant investments in its citrus groves and cannot easily shift to alternative products for this land. A decrease in the selling price received for Alico's products due to the factors described above could have a materially adverse effect on Alico.

Alico faces significant competition in its agricultural operations.

Alico faces significant competition in its agricultural operations both from domestic and foreign producers and does not have any branded products. Foreign growers generally have a lower cost of production, less environmental regulation and in some instances greater resources and market flexibility than Alico. Because foreign growers have great flexibility as to when they enter the U.S. market, Alico cannot always predict the impact these competitors will have on its business and results of operations. The competition Alico faces from foreign suppliers of sugar and orange juice is mitigated by quota restriction on sugar imports imposed by the U.S. government and by a governmentally imposed tariff on U.S. orange imports. A change in the government's sugar policy allowing more imports or a reduction in the U.S. orange juice tariff would adversely impact Alico and negatively impact Alico's results of operations.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

At September 30, 2008, Alico owned a total of 135,466 acres of land located in five counties in Florida. Acreage in each county and the primary classification with respect to the present use of these properties is shown in the following table:

Alico, Inc. & Subsidiaries
Land Use Summary
September 30, 2008

	Total	Hendry	Polk	Collier	Glades	Lee
Citrus:						
Producing acres	10,582	3,048	3,405	4,129	—	—
Support and nonproductive*	6,303	2,317	789	3,197	—	—
Total Citrus	**16,885**	**5,365**	**4,194**	**7,326**	**—**	**—**
Sugarcane:						
Producing acres	9,110	9,110	—	—	—	—
Support and nonproductive*	6,912	6,912	—	—	—	—
Total Sugarcane	**16,022**	**16,022**	**—**	**—**	**—**	**—**
Ranch:						
Improved pasture	21,201	20,906	295	—	—	—
Semi-improved pasture	21,752	20,038	602	1,112	—	—
Native pasture	19,513	11,846	5,949	1,718	—	—
Support and nonproductive*	13,583	12,527	376	680	—	—
Total Ranch	**76,049**	**65,317**	**7,222**	**3,510**	**—**	**—**
Farming:						
Productive acres	5,521	5,521	—	—	—	—
Support and nonproductive*	17,479	17,479	—	—	—	—
Total farming	**23,000**	**23,000**	**—**	**—**	**—**	**—**
Sod:						
Producing acres	1,540	1,540	—	—	—	—
Support and nonproductive*	363	363	—	—	—	—
Total sod	**1,903**	**1,903**	**—**	**—**	**—**	**—**
Rock and Sand Mining	526	—	—	—	526	—
Commercial & Residential	1,081	54	66	—	—	961
Total	**135,466**	**111,661**	**11,482**	**10,836**	**526**	**961**

* Includes buildings, roads, water management systems, fallow lands and wetlands.

Of the above lands, Alico utilizes approximately 21,000 acres of improved pasture plus approximately 42,000 acres of semi-improved and native pasture for cattle production. Much of the land is also leased for multi-purpose use such as oil exploration, farming and recreation.

From the inception of Alico's predecessor's initial development program in 1948, the goal has been to develop the lands for their most profitable use. Prior to implementation of the development program, detailed studies were made of the properties focusing on soil capabilities, topography, transportation, availability of markets and the climatic characteristics of each of the tracts. Based on these and later studies, the use of each tract was determined. Management believes that Alico lands are suitable for agricultural, residential and commercial uses. In the past some of the land was considered surplus to the agricultural needs of Alico and, as indicated under Item 1 of this report, sales of such surplus property were made from time to time.

Alico utilizes consultants to work with senior management and the Board of Directors to enhance the planning and strategic positioning of all Company owned land. Alico Land Development Inc. also oversees the entitlement of Alico's land assets in order to preserve these rights should Alico choose to develop the property in the future.

Management believes that each of the major agricultural programs is adequately supported by equipment, buildings, fences, irrigation systems, drainage systems and other amenities required for the operation of the projects.

Item 3. Legal proceedings.

In June 2008, the Internal Revenue Service (IRS) issued a final Settlement Agreement regarding audits of Alico for the tax years 2000 through 2004. Pursuant to the agreement, Alico and the IRS agreed to final taxes resulting from the audits of $41.1 million, penalties of $4.1 million and interest of $20.0 million. Alico also paid State income taxes related to the final IRS settlement of $6.2 million along with $4.3 million of related interest. The Settlement Agreement concluded that Alico must recognize unreported gains resulting from the transfer of real property to a foreign subsidiary (Agri). The real estate was originally transferred and reported at its historical cost basis. Additionally, Alico must recognize Subpart F income related to Agri's earnings. Alico had not previously recognized income related to the transactions referenced above based on reliance on an IRS determination letter stating that Agri was a captive insurer, exempt from taxes provided certain procedural requirements were followed. Alico believed that it had followed such requirements, while the IRS ruled otherwise.

On October 29, 2008 Alico was served with a shareholder derivative action complaint filed by Baxter Troutman against J. D. Alexander and John R. Alexander which names Alico as a nominal defendant. Mr. Troutman is the cousin and nephew of the two defendants, respectively, and is a shareholder in Atlantic Blue, Inc., a (51%) shareholder of Alico. From February 26, 2004 until January 18, 2008 Mr. Troutman was a director of Alico. The complaint alleges that J.D. Alexander and John R. Alexander committed breaches of fiduciary duty in connection with a proposed merger of Atlantic Blue into Alico which was proposed in 2004 and withdrawn by Atlantic Blue in 2005. The suit also alleges, among other things, that the merger proposal was wrongly requested by defendants J. D. Alexander and John R. Alexander and improperly included a proposed special dividend; and that the Alexanders' sought to circumvent the Board's nominating process to ensure that they constituted a substantial part of Alico's senior management team and these actions were contrary to the position of Alico's independent directors at the time causing a waste of Alico's funds and the resignations of the independent directors in 2005. As a result the complaint is seeking damages to be paid to Alico by the Alexanders' in excess of $1,000,000. The complaint concedes that Mr. Troutman has not previously made demand upon Alico to take action for the alleged wrongdoing as required by Florida law alleging that he believed such a demand would be futile. A copy of the Complaint may be obtained from the Clerk of the Circuit Court in Polk County, Florida.

Alico's Board of Director's has established a Special Committee consisting entirely of directors independent of Atlantic Blue in order to investigate Mr. Troutman's complaint. For further information regarding this case please refer to Alico's 8-K filing dated October 30, 2008.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

PART II

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

Common Stock Prices

The common stock of Alico, Inc. is traded on the NASDAQ Stock Market, LLC ("NASDAQ") under the symbol ALCO. The high and low prices as reported by NASDAQ, by fiscal quarter, during the fiscal years ended September 30, 2008 and 2007 are presented below:

	2008 Price		2007 Price	
	High	Low	High	Low
First Quarter	$ 51.13	$ 35.35	$ 62.92	$ 48.50
Second Quarter	$ 45.62	$ 35.44	$ 60.45	$ 46.25
Third Quarter	$ 45.48	$ 33.14	$ 62.24	$ 54.97
Fourth Quarter	$ 50.32	$ 33.90	$ 65.00	$ 43.29

Approximate Number of Holders of Common Stock

As of October 31, 2008 there were approximately 396 holders of record of Alico's Common Stock as reported by Alico's transfer agent.

Dividend Information

Dividends declared during the last two fiscal years were as follows:

Record Date	Payment Date	Amount Paid Per Share
December 29, 2006	January 15, 2007	$ 0.275
March 30, 2007	April 16, 2007	$ 0.275
June 29, 2007	July 16, 2007	$ 0.275
September 28, 2007	October 15, 2007	$ 0.275
December 29, 2007	January 15, 2008	$ 0.275
April 30, 2008	May 16, 2008	$ 0.275
July 31, 2008	August 15, 2008	$ 0.275

On November 15, 2008, Alico paid a dividend of $0.275 per share to shareholders of record as of October 31, 2008. At a Board of Directors meeting held on October 31, 2008 the Directors declared a quarterly dividend of $0.275 per share payable to stockholders of record as of January 30, 2009, with payment expected on or about February 15, 2009.

Alico's ability to pay dividends in the immediate future is dependent on a variety of factors including earnings and the financial condition of Alico. For a discussion of these factors, see Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Equity Compensation Arrangements

On November 3, 1998, Alico adopted the Alico, Inc., Incentive Equity Plan (The 1998 Plan) pursuant to which the Board of Directors of Alico may grant options, stock appreciation rights, and/or restricted stock to certain directors and employees. The Plan authorized grants of shares or options to purchase up to 650,000 shares of authorized but unissued common stock. This plan expired on November 3, 2008 and was replaced with a new plan by Alico's Board of Directors subject to shareholder approval. Provisions of the 2008 plan are similar to the 1998 Plan, and authorize grants of up to 350,000 shares of common stock to be funded by treasury purchases. Details of the plan are more fully described in the Company's proxy statement expected to be filed on or before January 20, 2009.

On April 17, 2006 Alico hired a President and Chief Operating Officer. As a portion of the total compensation package, the Board awarded 20,000 shares of restricted stock. Under the terms of the agreement, the shares were to vest 25% on April 17, 2010 and continue to vest 25% per year until fully vested. The fair value per share was $45.25 on the date of the award. The grant was forfeited due to the resignation of the individual in November, 2008. Since none of the shares granted on April 17, 2006 had vested, the previously recognized compensation cost of $424 thousand was reversed during the fourth quarter of fiscal year 2008.

On October 27, 2006, the Board awarded 20,000 shares of restricted stock to the Chief Executive Officer as additional compensation. Under the terms of the agreement, 4,000 shares vested effective August 31, 2006, 4,000 vested effective August 31, 2007 and the remaining 12,000 shares vested upon the CEO's retirement on June 30, 2008. The fair value per share was $61.96 on the date of the award.

During November 2007, the CEO and COO elected to receive a portion of their annual incentive bonus in Company stock. The CEO chose to receive 4,000 shares at a value of $177 thousand, while the COO chose to receive 500 shares at a value of $22 thousand. These shares do not contain any restrictions, but were issued under Alico's Incentive Equity Plan. Compensation expense for these awards was accrued and recognized during the fourth quarter of Alico's fiscal 2007 year.

A grant of 25,562 restricted shares was made to four senior executives in January 2008 with a fair value of $40.67 per share, in order to replace previous retirement benefits granted. 7,707 of the shares granted in January 2008 related to previously vested retirement benefits and vested immediately. The remaining 17,855 shares granted in January 2008 vest 20% annually in January of each year until fully vested.

On September 30, 2008, Alico, through its subsidiary Alico Land Development, Inc., hired a Vice-President of Real Estate Operations. As a portion of the total compensation package, the Board awarded 7,500 shares of restricted stock. Under the terms of the agreement, the shares will vest 20% on September 30, 2009 and continue to vest 20% per year until they are fully vested. The fair value per share was $47.43 on the date of the award.

The following schedule summarizes the outstanding option grants under the program. No stock options or stock appreciation rights have been granted since February 2004.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	6,158	$ 16.84	231,600
Equity compensation plans not approved by security holders	—	—	—
Total	6,158	$ 16.84	231,600

Issuer Purchases of Equity Securities

Date	Total Number of Shares Purchased	Average price paid per share	Total Shares Purchased as Part of Publicly Announced Plans or Programs(1)	Total Dollar value of shares purchased
January 2007	9,927	$ 48.72	25,927	$ 483,597
March 2007	843	$ 47.69	26,770	$ 40,199
May 2007	10,000	$ 59.67	36,770	$ 596,654
August 2007	7,000	$ 51.98	43,770	$ 363,841
November 2007	12,000	$ 43.97	55,770	$ 527,699
March 2008	6,200	$ 44.24	61,970	$ 274,268
May 2008	9,768	$ 40.32	71,738	$ 393,851

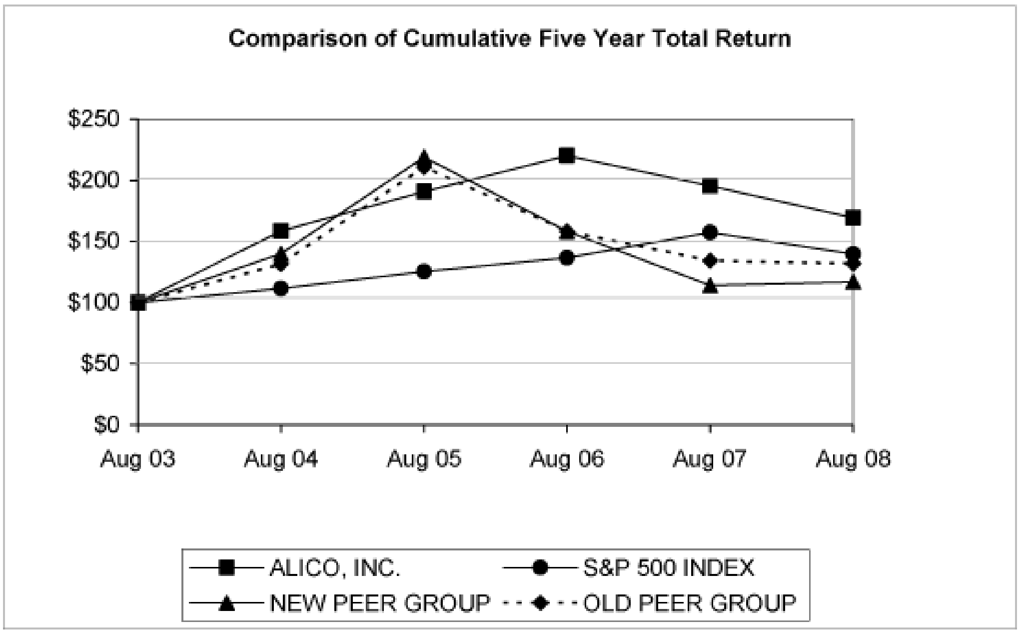
The Company's Board of Directors has authorized the repurchase of up to 131,000 shares of the Company's common stock through August 31, 2010, for the purpose of funding restricted stock grants under its 1998 Incentive Equity Plan in order to provide restricted stock to eligible Directors and Senior Managers and align their interests with those of the Company's shareholders.

The stock repurchases began in November 2005 and will be made on a quarterly basis until August 31, 2010 through open market transactions. The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements and other market conditions. All purchases will be made subject to restrictions of Rule 10b-18 relating to volume, price and timing so as to minimize the impact of the purchases upon the market for the Company's shares. The Company does not anticipate that any purchases under the Plan will be made from any officer, director or control person. There are currently no arrangements with any person for the purchase of the shares. Alico may purchase an additional 59,262 shares. Pursuant to these plans, Alico purchased 9,768, 6,200 and 12,000 shares in the open market during the third, second and first quarter of fiscal year 2008, respectively, at an average price of $42.76 per share.

There were no purchases of common stock of Alico made during the three months ended September 30, 2008 by Alico or any "affiliated purchaser" of Alico as defined in rule 10b-18(a)(3) under the Exchange Act.

Alico Performance

The graph below represents the Company's common stock performance, comparing the value of $100 invested on September 1, 2005 in the Company's common stock, the S&P 500 and a Company-constructed peer group.



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ANNUAL RETURN PERCENTAGE

Company Name / Index	Years Ending Aug 04	Aug 05	Aug 06	Aug 07	Aug 08
ALICO, INC.	58.48	20.40	15.39	-11.28	-13.32
S&P 500 INDEX	11.46	12.56	8.88	15.13	-11.14
NEW PEER GROUP	39.85	56.59	-27.71	-27.92	2.34
OLD PEER GROUP	31.36	60.44	-24.86	-15.21	-1.80

INDEXED RETURNS

Company Name / Index	Base Period Aug 03	Years Ending Aug 04	Aug 05	Aug 06	Aug 07	Aug 08
ALICO, INC.	**100**	158.48	190.82	220.18	195.35	169.33
S&P 500 INDEX	**100**	111.46	125.45	136.59	157.27	139.75
NEW PEER GROUP	**100**	139.85	218.99	158.30	114.10	116.77
OLD PEER GROUP	**100**	131.36	210.75	158.35	134.27	131.85

New Peer Group	Old Peer Group Companies
CONSOLIDATED TOMOKA LAND CO	**ALEXANDER & BALDWIN INC**
ST JOE CO	**CONSOLIDATED TOMOKA LAND CO**
TEJON RANCH CO	**ST JOE CO**
THOMAS PROPERTIES GROUP	**TEJON RANCH CO**

Item 6. Selected Financial Data.

Description	September 30, 2008	2007 (1)	Years Ended August 31, 2007	2006	2005	2004
	(In Thousands, Except Per Share Amounts)					
Operating revenue	$ 116,382	$ 758	$ 132,005	$ 74,164	$ 52,938	$ 52,057
Income (loss) from continuing operations	5,603	(849)	(13,395)	8,021	6,260	17,813
Income (loss) from continuing operations per weighted average common share	$ 0.76	$ (0.12)	$ (1.82)	$ 1.09	$ 0.85	$ 2.47
Average Number of Shares Outstanding	7,367	7,358	7,369	7,368	7,331	7,219
Cash Dividend Declared Per Share	1.10	0.28	1.10	1.03	1.25	0.60
Total Assets	273,932	285,349	281,206	263,579	248,306	238,242
Long-Term Obligations	140,239	143,265	143,790	103,601	85,826	82,908

(1) Beginning with fiscal 2008, Alico changed its year end from August 31 to September 30. The year ended September 30, 2008 was the first full year on the new fiscal year. Results for September 30, 2007 are for the one month transition period.

Alico, through its subsidiary Bowen, purchased the assets of Bowen Brothers Fruit Co., Inc. for $1.9 million in February 2006. The purchase was made to provide Alico with additional citrus marketing expertise and the ability to harvest its own citrus crop. Results from Bowen have been included beginning in fiscal year ended August 31, 2006. For further information concerning Bowen's operations and assets please refer to Note 10 of the consolidated financial statements.

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

Cautionary Statement

Some of the statements in this document include statements about future expectations. Statements that are not historical facts are "forward-looking statements" for the purpose of the safe harbor provided by Section 21E of the Exchange Act and Section 27A of the Securities Act. These forward-looking statements, which include references to one or more potential transactions, and strategic alternatives under consideration or projections of performance for the upcoming fiscal year, are predictive in nature or depend upon or refer to future events or conditions. These statements are subject to known, as well as, unknown risks and uncertainties that may cause actual results to differ materially from expectations. These risks include, but are not limited to those discussed in the risk factors section of this annual report whether or not such risks are repeated in connection with any forward looking statement. There can be no assurance that any anticipated performance or future transactions will occur or be structured in the manner suggested or that any such transaction will be completed. Alico undertakes no obligation to update publicly any forward-looking statements, whether as a result of future events, new information or otherwise.

When used in this document, or in the documents incorporated by reference herein, the words anticipate, should, believe, estimate, may, intend, expect, and other words of similar meaning, are likely to address Alico's growth strategy, financial results and/or product development programs. Actual results, performance or achievements could differ materially from those contemplated, expressed or implied by the forward-looking statements contained herein. The considerations listed herein represent certain important factors Alico believes could cause such results to differ. These considerations are not intended to represent a complete list of the general or specific risks that may affect Alico. It should be recognized that other risks, including general economic factors and expansion strategies, may be significant, presently or in the future, and the risks set forth herein may affect Alico to a greater extent than indicated.

The following discussion focuses on the results of operations and the financial condition of Alico. This section should be read in conjunction with the Consolidated Financial Statements and Notes.

On September 28, 2007, the Board of Directors of Alico approved a change in Alico's fiscal year end from August 31 to September 30. The fiscal year change is effective beginning with Alico's 2008 fiscal year. Alico's 2008 fiscal year began on October 1, 2007 and ended September 30, 2008, resulting in a one month transition period that began September 1, 2007 and ended September 30, 2007. Accordingly, information is presented for the fiscal year ended September 30, 2008, the one month transition period and for prior fiscal years ended August 31.

Alico's agricultural operations are seasonal in nature. While the season for each commodity differs, generally the season for each commodity is concluded by August 31 of each year and begins no earlier than October 1. For this reason, results for the fiscal year ended September 30 are comparable to those of the prior fiscal years ended August 31.

Liquidity and Capital Resources

Dollar amounts listed in thousands:

	9/30/08	9/30/07	8/31/07
Cash & liquid investments	$ 78,637	$ 78,110	$ 81,067
Total current assets	123,130	135,376	127,494
Current liabilities	18,200	25,138	17,519
Working capital	104,930	110,238	109,975
Total assets	273,932	285,349	281,206
Notes payable	$ 137,758	$ 135,884	$ 136,889
Current ratio	6.77	5.39	7.28

Management believes that Alico will be able to meet its working capital requirements for the foreseeable future with internally generated funds. In addition, Alico has credit commitments under a revolving line of credit that provides for revolving credit of up to $125.0 million. Of the $125.0 million credit commitment, $44.3 million was available for Alico's general use at September 30, 2008 (see Note 6 to Consolidated Financial Statements).

Cash flows from Operations

Cash flows from operations were $13.8 million, ($52.9 million) and $9.5 million for the fiscal years ended September 30, 2008, August 31, 2007 and August 31, 2006. Cash flow from operations was ($1.8 million) for the one month transition period ended September 30, 2007. Cash flow from operations for the fiscal years ended September 30, 2008 and August 31, 2007 were negatively impacted by payments of $10.5 million to the State of Florida and $66.2 million to the IRS, respectively, related to the settlement of an IRS audit, which will cause those years not to be indicative of expected future cash flows from operations (see Note 8 to Consolidated Financial Statements).

In November 2008, Alico's subsidiary, Alico-Agri, Ltd., received a payment of $2.5 million in escrow in connection with the restructure of a real estate contract ("East") with Ginn- LA Naples, Ltd, LLLP ("Ginn").

The East contract was originally entered into in July 2005 and relates to the sale of approximately 4,538 acres in Lee County Florida. Under the terms of the restructure, principal payments were extended as follows (thousands):

Due Date	*Due before restructure*	*Due after restructure*
9/28/08	$ 3,980	$ 1,787
9/28/09	12,000	1,000
9/28/10	12,000	1,000
9/28/11	26,128	4,000
9/28/12	-0-	8,000
9/28/13	-0-	12,000
9/28/14	$ -0-	$ 26,321

Interest will continue to accrue on the unpaid balance of the note and be paid in quarterly installments. The note will bear interest at rates published by HSH and associates for the London Interbank Offered Rate (LIBOR) plus 150 basis points from September 29, 2008 to September 28, 2009, HSH LIBOR plus 200 basis points from September 29, 2009 to September 28, 2010 and HSH LIBOR plus 250 basis points thereafter until the note is paid in full. Ginn will forfeit release credits it has accumulated on the property in the event of default, foreclosure or bankruptcy.

Ginn did not exercise its option on a second contract ("West"). In connection with this action, Ginn has provided a deed in lieu of foreclosure on a third contract ("Crockett") and gave up any rights it may have had to the West property. Alico took possession of the West and Crockett parcels free of any claims by Ginn.

The West and Crockett parcels consist of approximately 980 acres in Lee County, Florida located just south of the Southwest Florida Regional Airport and north of Florida Gulf Coast University, and just east of an I-75 interchange.

Alico collected cash payments of $4.2 million during the fiscal year ended September 30, 2008 related to the West and Crockett parcels. Alico, through its subsidiary Alico Land Development Inc. is actively seeking to entitle and sell these properties.

Overall, gross profits during fiscal year 2009 are expected to be lower than those of fiscal year 2008 due to an expected decrease in returns from agricultural operations. Market prices Alico receives for citrus products, typically Alico's largest source of gross profit, are expected to decline due to increased Florida citrus production and carryover inventories at citrus processing plants.

Alico experienced increases in the cost of fertilizer, herbicides, insecticides and fuel during the fiscal year ended September 30, 2008. A large portion of these costs related to the production of fiscal year 2009 crops and were inventoried. These costs will be charged against fiscal year 2009 revenues as crops are harvested. While several input costs, including fuel, have recently declined from higher levels, significant reductions will not be realized through gross profit until the fiscal year 2010 crops are harvested, assuming the lower costs continue.

Cash flows from Investing

Cash outlays for land, equipment, buildings, and other improvements totaled $6.1 million, $9.1 million and $33.2 million during the fiscal years ended September 30, 2008, August 31, 2007, and August 31, 2006, respectively. Alico anticipates its capital needs, primarily for the care of young citrus trees, real estate entitlement work, sugarcane plantings, and raising cattle for breeding purposes, at between $7.0 million and $9.0 million for fiscal year 2009.

Alico's balance sheet has carried large amounts of cash and investments over the past several years in order to comply with liquidity provisions mandated by the Bermuda Monetary Authority for Alico's wholly owned insurance subsidiary, Agri-Insurance Co., Ltd. Due to several hurricanes which impacted the State of Florida during the fall of 2004 and 2005, Agri sustained losses related to its underwriting activities which caused Agri to suspend additional insuring activities until an updated feasibility study of its insuring activities could be completed. Based on the findings of the study, along with the history of losses, Agri ceased issuing policies. Alico is currently working to dissolve Agri. Upon Agri's dissolution, Alico expects to reduce its outstanding debt by utilizing a portion of its cash and marketable securities.

Recent market conditions have depressed Florida real estate markets causing the predictability of real estate sales including timing and market values to be problematic. Alico through its subsidiary Alico Land Development Inc. continues to market parcels of its real estate holdings which are deemed by Management and the Board of Directors to be excess to the immediate needs of Alico's core operations. The sale of any of these parcels could be material to the operations and cash flows of Alico.

Cash flows from Financing

Alico's Board of Directors has authorized the repurchase of up to 131,000 shares of Alico's common stock through August 31, 2010, for the purpose of funding restricted stock grants under its 1998 Incentive Equity Plan in order to provide restricted stock to eligible Directors and Senior Managers to align their interests with those of Alico's shareholders.

All purchases will be made subject to restrictions of Rule 10b-18 relating to volume, price and timing so as to minimize the impact of the purchases upon the market for Alico's shares. The stock repurchases will be made on a quarterly basis until August 31, 2010 through open market transactions. The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements and other market conditions. Alico does not anticipate that any purchases under the Plan will be made from any officer, director or control person. There are currently no arrangements with any person for the purchase of the Shares. Alico will use internally generated funds and available working capital to make the purchases. In accordance with the approved plans, Alico may purchase an additional 59,262 shares. Alico purchased 27,968 shares in the open market at an average price of $42.76 during the fiscal year ended September 30, 2008 and 27,770 shares at an average price of $53.45 per share during the fiscal year ended August 31, 2007. No treasury purchases were made during the transition month ended September 30, 2007.

On September 3, 2008 Alico converted $50.0 million of the outstanding balance on its $175.0 million Revolving Line of Credit with Farm Credit of Southwest Florida to a 10 year term loan bearing a fixed interest rate of 6.79% with equal payments of principal and interest of $1.7 million per quarter until maturity. The Board's decision to fix the interest rate on a portion of its borrowings was part of its risk management program. The new term loan is cross collateralized with Alico's Revolving line of Credit and contains identical covenants. Alico is currently in compliance with all the covenants under its loan agreements and expects to remain so for the foreseeable future.

Alico paid quarterly dividends of $0.275 per share on October 15, 2007, January 15, 2008, May 16, 2008, August 15, 2008 and November 15, 2008. At its meeting on October 31, 2008, the Board of Directors declared a quarterly dividend of $0.275 per share payable to stockholders of record as of January 30, 2009 with payment expected on or around February 15, 2009. The Board will continue to assess financial condition, compliance with debt covenants, and earnings of Alico in determining its dividend policy.

Results from Operations

Summary of results (in thousands):

	Year Ended September 30, 2008	Month Ended September 30, 2007	Year Ended August 31, 2007	Year Ended August 31, 2006
Operating revenue	$ 116,382	$ 758	$ 132,005	$ 74,164
Gross profit (loss)	14,057	(69)	29,685	16,252
General & administrative expenses	11,478	815	12,727	10,901
Profit (loss) from continuing operations	2,579	(884)	16,958	5,351
Profit on sale of real estate	817	—	1,257	4,369
Interest and investment income	7,745	683	7,337	8,944
Interest expense	6,565	820	5,652	3,852
Other income (expense)	262	(4)	225	368
Income tax provision	$ (765)	$ (176)	$ 33,520	$ 7,159
Effective income tax rate	(15.8)%	17.2%	166.6%	47.2%
Net income (loss) from continuing operations	$ 5,603	$ (849)	$ (13,395)	$ 8,021

Alico's agricultural operations generally combine to produce the majority of operating revenue, gross profit and income from operations. As a producer of agricultural products, Alico's ability to control the prices it receives from its products is limited, and prices for agricultural products can be volatile. Operating results are largely dictated by market conditions. During the fiscal year ended August 31, 2007, Alico benefited from unusually high pricing for its citrus crops. Accordingly, results, including operating revenue, gross profit, profit from continuing operations and income before income taxes were higher in the fiscal year ended August 31, 2007 than those of the following and prior fiscal years.

General and Administrative

General and administrative expenses decreased by 10% for the fiscal year ended September 30, 2008 compared with the fiscal year ended August 31, 2007. The Company is aggressively seeking to further reduce general and administration expenses in fiscal year 2009 including reductions in staffing, legal fees, outside consultants and donations.

General and administrative were higher for the fiscal year ended August 31, 2007 compared with the fiscal year ended August 31, 2006 due to increased staff, Sarbanes Oxley compliance, fees incurred related to the IRS audits and depreciation.

Profit from the Sale of Real Estate

Alico through its subsidiary Alico Land Development Inc. hired a real estate professional to manage the planning and strategic positioning of all Company owned land. These actions include seeking entitlement of Alico's land assets in order to preserve rights should Alico choose to develop property in the future. Alico Land Development Inc. is also responsible for negotiating and renegotiating sales and options contracts. Proceeds from the contracts negotiated or renegotiated under the direction of the real estate department are classified as operating items, while proceeds from sales that originated prior to the establishment of the department and are not deemed to be substantially modified according to U.S. GAAP, are classified as non-operating.

Alico's real estate revenues during the fiscal years ended September 30, 2008 and August 31, 2007 have primarily resulted from three contracts with the Ginn Companies for real estate in Lee County Florida. The Company recognized a total of $4.6 million of real estate revenue related to these contracts, for each of the fiscal years ended September 30, 2008 and August 31, 2007, of which $0.8 million and $1.3 million were classified as non-operating revenues for September 30, 2008 and August 31, 2007, respectively.

In October 2008, the three contracts were renegotiated, resulting in the Company retaking possession of two of the properties. This is expected to result in a reduction of revenue from the two previous contracts of approximately $2.6 million in fiscal year 2009.

Due to decreases in the market prices of Florida real estate, the Company evaluated several of its properties for impairment at September 30, 2008 and August 31, 2007. In conducting its evaluation, the Company reviewed the estimated non-discounted cash flows from each of the properties and obtained independent third party appraisals from a qualified real estate appraiser. Based on this information, the Company determined that a 291 acre lakefront property in Polk County, Florida, purchased in October 2005 for $9.2 million, was impaired by approximately $1.9 million at August 31, 2007 and by an additional $1.5 million at September 30, 2008 due to declines in the Florida real estate market. The impairment losses were included as a charge to real estate operating expenses during the fiscal years ended September 30, 2008 and August 31, 2007. Alico's remaining adjusted book basis in the property was $5.8 million at September 30, 2008.

Recent market conditions have depressed Florida real estate markets causing the predictability of real estate sales including timing and market values to be problematic. Alico continues to market parcels of its real estate holdings which are deemed by Management and the Board of Directors to be excess to the immediate needs of Alico's core operations. The sale of any of these parcels could be material to the operations and cash flows of Alico.

In the first quarter of fiscal year 2006, Alico sold approximately 280 acres of citrus grove located south of LaBelle, Florida in Hendry County for $5.6 million cash for a net gain of $4.4 million. Alico has retained operating rights to the grove until residential development begins.

Provision for Income taxes

The Company's effective tax rate is affected by IRS adjustments including penalties and interest, state income taxes, including penalties and interest, items which may be included in book income but are not taxable under current statutes, such as earnings from tax exempt bonds, items included in book expense that are not deductible under current statutes, such as lobbying expenses and non qualified retirement plans and the expiration of otherwise allowable deductions that do not meet recognition thresholds such as expired net operating loss and contribution carry forwards.

The Company expects its effective tax rate to more closely match the blended Federal and State rates for the fiscal year ending September 30, 2009, due to the final settlement of the 2000-2004 IRS audits.

Alico's effective tax rate, excluding the IRS settlement adjustment benefit of $1.6 million was 30.5% for the fiscal year ended September 30, 2008 and differed from the expected combined Federal and State blended rate of 38% due to interest earnings on tax exempt securities. For the transition month ended September 30, 2007, the effective tax rate was 17.2% which differed from the expected combined Federal and State blended rate of 38% primarily due to the expiration of a charitable contribution carry forward.

Alico's effective tax rate, excluding the IRS settlement adjustment of $26 million, was 39.3% for the year ended August 31, 2007, which differed from the expected combined Federal and State blended rate of 38.5% due to the expiration of charitable contribution carry forwards and an adjustment to the expected rate at which Alico expected to realize its deferred tax items. The effective tax rate, excluding the IRS settlement adjustment of $2.2 million, was 30.5% for the fiscal year ended August 31, 2006, which differed from the expected combined Federal and State blended rate of 38.5% due to the impact of earnings from tax exempt bonds.

Interest and Investment Income

Interest and investment income is generated principally from mortgages held on real estate sold on the installment basis, investments in corporate and municipal bonds, mutual funds, and U.S. Treasury securities.

Alico's balance sheet has carried large amounts of cash and investments over the past several years in order to comply with liquidity provisions mandated by the Bermuda Monetary Authority for Alico's wholly owned insurance subsidiary, Agri-Insurance Co., Ltd. Alico is currently working to dissolve Agri. Upon Agri's dissolution, Alico expects to reduce its outstanding debt by utilizing a portion of its cash and marketable securities. This transaction is expected to result in lower interest earnings and expense to the Company during the fiscal year ending September 30, 2009.

Due to the recent volatility in the financial markets, Alico has continued to focus on short term, highly rated and highly liquid investments. During the fiscal year ended September 30, 2008, the average return on these investments declined considerably due to lower interest rates. The preservation of capital is a primary objective of the Company's investment strategy; however, during the fiscal year ended September 30, 2008, the Company was unable to liquidate several auction rate securities, having a total face value of $5.9 million. Several of these securities were called subsequent to the balance sheet date. The remaining securities are highly rated and continue to pay interest, but absent an observable market for the securities, Alico analyzed each security based on call dates and provisions, bond ratings, prevailing interest rates, and broker expectations. As a result of these evaluations, Alico determined that one $3.0 million bond was impaired. An adjustment of $120 thousand was recognized for the fiscal year ended September 30, 2008 as a temporary impairment at September 30, 2008 and charged to other comprehensive income based on the present value of the expected cash flows. The impaired security was classified as a non-current investment at September 30, 2008. In addition $1.2 million of the remaining auction rate securities were classified as non-current assets at September 30, 2008 at face value, based on the conclusions reached by the Company's evaluation.

Interest income for the fiscal year ended August 31, 2007 was $7.3 million compared with $8.9 million in the fiscal year ended August 31, 2006. In accordance with guidelines established by Alico's Board of Directors, Alico restructured its investment portfolio during the first quarter of fiscal year 2006, focusing on high quality fixed income securities with original maturities of less than 12 months. These sales resulted in a net realized gain of $3.3 million in fiscal year 2006.

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Interest Expense

Interest expense has continued to increase during the past three fiscal years, primarily due to higher debt levels. Alico's outstanding debt was $137.8 million, $136.9 million and $64.0 million for the fiscal years ended September 30, 2008, August 31, 2007 and August 31, 2006. Alico utilized funds available under its revolving line of credit to pay $76.8 million of taxes, penalties and interest to the IRS and the State of Florida related to tax audits of the tax years 2000 — 2004. Alico has three debt agreements with Farm Credit of Southwest Florida, a $125.0 million revolving line of credit, whose interest rate is based on the London Interbank Offered Rate (LIBOR, 4.25% effective rate at September 30, 2008), a $50.0 million term loan payable over 10 years at a fixed annual interest rate of 6.79%, and a mortgage note with ratio of an interest 6.68% annually. The outstanding balances for the revolving credit line, term loan and mortgage note were $80.7 million, $50.0 million and $7.0 million, respectively at September 30, 2008.

Upon the dissolution of Agri, Alico expects to reduce its outstanding debt by utilizing a portion of its cash and marketable securities. This transaction is expected to result in lower interest expense to the Company during the fiscal year ending September 30, 2009 by both reducing the total debt outstanding and the variable interest rate, which is based on LIBOR plus a varying percentage dependent upon the debt ratio of the Company.

Operating Revenue

	Year ended Sept. 30, 2008	One month Sept. 30, 2007 (1)	Fiscal years ended Aug. 31, 2007	Fiscal years ended Aug. 31, 2006
Revenues				
Agriculture:				
Bowen	$ 45,499	$ 143	$ 52,716	$ 30,869
Citrus groves	41,167	5	47,484	22,188
Sugarcane	9,671	—	9,432	8,926
Cattle	6,793	330	9,977	5,700
Vegetables	5,460	—	3,803	2,389
Sod	1,118	92	2,180	1,528
Native trees and shrubs	125	—	249	142
Agriculture operations revenue	109,833	570	125,841	71,742
Real estate activities	3,870	—	3,329	113
Land leasing and rentals	2,276	141	1,495	1,369
Mining royalties	403	47	1,340	940
Total operating revenue	**$ 116,382**	**$ 758**	**$ 132,005**	**$ 74,164**

(1) Alico changed its fiscal year end from August 31 to September 30. The year ended September 30, 2008 was the first full year on the new fiscal year. Results for September 30, 2007 are for the one month transition period.

Operating revenues declined by 12% during the fiscal year ended September 30, 2008 when compared with the fiscal year ended August 31, 2007. The decline was primarily due to lower citrus prices realized industry wide, as well as by Alico's Bowen and citrus grove operations.

Operating revenues are expected to decline from 2008 levels for the fiscal year ending September 30, 2009, based on preliminary price estimates for Alico's various agricultural products.

Operating revenues increased by 77.9% to $132.0 million in the fiscal year ended August 31, 2007 compared with $74.2 million in the fiscal year ended August 31, 2006. The increase was primarily due to higher citrus prices realized by Bowen and Alico's citrus grove operations during fiscal year 2007 and also realized throughout the citrus industry.

Gross Profit

	Year ended Sept. 30, 2008	One month Sept. 30, 2007 (1)	Fiscal years ended Aug. 31, 2007	Aug. 31, 2006
Gross profit (loss):				
Agriculture:				
Bowen	$ 1,470	$ (79)	$ 930	$ (268)
Citrus groves	13,530	2	24,057	7,614
Sugarcane	421	—	599	360
Cattle	(2,127)	41	255	786
Vegetables	(141)	—	496	985
Sod	(1,535)	(116)	862	688
Native trees and shrubs	125	—	249	142
Gross profit from agricultural operations	11,743	(152)	27,448	10,307
Real estate activities	341	(59)	(79)	52
Land leasing and rentals	1,668	105	1,102	917
Mining royalties	305	37	1,214	940
Net casualty (recovery)	—	—	—	4,036
Gross Profit (loss)	14,057	(69)	29,685	16,252

(1) Alico changed its fiscal year end from August 31 to September 30. The year ended September 30, 2008 was the first full year on the new fiscal year. Results for September 30, 2007 are for the one month transition period.

Alico measures gross profit from its operations before any allocation of corporate overhead or interest charges. Gross profit is dependent upon the prices received for each of the Company's products, less harvesting, marketing and delivery costs and the direct costs of producing the products. Because Alico's agricultural products are commodities, Alico is not able to predict with certainty what price it will receive for its products; however, its costs are relatively fixed. During the fiscal year ended September 30, 2008, lower prices and rising production and delivery costs lowered margins on several of Alico's agricultural operations. As a result, gross profits declined by 53% when compared with the fiscal year ended August 31, 2007.

Gross profit from agricultural operations is expected to decline below 2008 levels for the fiscal year ending September 30, 2009, based on preliminary price and cost estimates for Alico's various agricultural products.

Gross profit for the fiscal year ended August 31, 2007 increased by 83% when compared with gross profit for the fiscal year ended August 31, 2006, due to increased gross profits from agricultural operations. This increase was primarily due to higher citrus prices and volume.

Agricultural Operations

Agricultural operations generate a large portion of Alico's revenues. Agricultural operations are subject to a wide variety of risks including weather and disease. Additionally, it is not unusual for agricultural commodities to experience wide variations in prices from year to year or from season to season. Due to a variety of factors, several of Alico's agricultural operations generated losses during the fiscal year ended September 30, 2008. Based on initial estimates and market conditions, the Company expects overall revenue and gross profits from its agricultural operations to be lower during the fiscal year ending September 30, 2009 when compared to the fiscal year ended September 30, 2008.

Bowen

Bowen's operations primarily consist of providing harvesting, hauling and marketing services to citrus growers and processors in the State of Florida. Additionally, Bowen purchases and resells citrus products at a modest margin. Bowen's operations generated revenues of $45.5 million, $52.7 million and $30.9 million for the fiscal years ended September 30, 2008, August 31, 2007 and August 31, 2006, respectively. Gross profits (losses) were $1.5 million, $0.9 million and ($0.3 million) during the fiscal years ended September 30, 2008, August 31, 2007 and August 31, 2006. Citrus prices declined 27% during the fiscal year ended September 30, 2008 when compared with the fiscal year ended August 31, 2007, which caused a corresponding decline in Bowen's revenues. Despite this decline, Bowen was able to increase the margin charged for its services, and therefore increase its gross profits.

Citrus Groves

Alico's Citrus Groves division primarily produces citrus for delivery to citrus processors. The division recorded gross revenues of $41.2 million, $47.5 million, and $22.2 million and gross profits of $13.5 million, $24.1 million and $7.6 million, for the fiscal years ended September 30, 2008, August 31, 2007, and August 31, 2006, respectively. Citrus prices declined 27% during the fiscal year ended September 30, 2008 when compared with the fiscal year ended August 31, 2007, which caused a corresponding decline in revenue and gross profit for the Citrus Groves division. Additionally, rising input costs (such as fuel and fertilizer), needed to produce and deliver citrus products, further eroded margins.

Hurricanes, citrus diseases and increased real estate development in the central and southern portions of Florida, where the majority of citrus in the state is produced, combined to reduce the supply of citrus during the fiscal years ended August 31, 2007 and August 31, 2006, resulting in per unit price increases for citrus products across the industry during those years. As real estate development has slowed and groves across the state have recovered from the damages caused by the hurricanes, production has slowly increased causing downward pressure on citrus prices.

Alico harvested 4.2 million, 3.5 million, and 3.3 million 90 pound equivalent boxes of citrus in the fiscal years ended September 30, 2008, August 31, 2007, and August 31, 2006, respectively. Alico estimates that its fiscal year 2009 crop will produce approximately 4.0 million boxes.

Alico has contracts with several citrus processors with pricing mechanisms based on a minimum price along with a price increase if market conditions exceed the minimum. Due to current market conditions and outlooks, Alico expects to receive the minimum contracted price for its citrus for the fiscal year ending September 30, 2009, which, along with the projected decline in production, is expected to cause a decline in gross citrus revenue, and a corresponding decline in gross profit.

Sugarcane

Alico's sugarcane operations consist of cultivating sugarcane for sale to a sugar processor. Sugarcane revenues were $9.7 million, $9.4 million, and $8.9 million during the fiscal years ended September 30, 2008, August 31 2007, and August 31, 2006, respectively. Sugarcane generated gross profits of $0.4 million, $0.6 million, and $0.4 million during the fiscal years ended September 30, 2008, August 31, 2007, and August 31, 2006, respectively. During fiscal years 2008, 2007 and 2006, approximately 381,000, 381,000, and 342,000 standard tons of sugarcane were harvested.

Florida Governor Charlie Crist has announced that the South Florida Water Management District (SFWMD) is negotiating a purchase of the land holdings of United States Sugar Corporation (USSC). USSC and its subsidiary Southern Gardens, is Alico's largest customer accounting for approximately 21% of fiscal year 2008 operating revenue. Under the terms of the most recent proposal, USSC will retain ownership and continue operation of its sugar mill, sugar refinery and citrus plant. USSC would lease back the property sold to SFWMD for a period of seven crop cycles. At the present time, Alico is unable to assess the impact of this potential transaction on its operations. As the potential sale progresses and more details become known, Alico will continue to assess the impact, its options and strategies going forward.

Cattle

Alico's cattle operation is primarily engaged in the production of beef cattle, feeding cattle at western feedlots and the raising of replacement heifers. Cattle revenues were $6.8 million, $10.0 million, and $5.7 million and gross profits (losses) from cattle operations were ($2.1 million), $0.3 million and $0.8 million for the fiscal years ended September 30, 2008, August 31, 2007, and August 31, 2006, respectively.

During fiscal year 2007, Alico implemented a program designed to improve conception rates and reduce the supplemental feed costs of its cattle herd. The initiatives included improving Alico's cattle pastures through fencing, grass plantings and reworking pastures where native weed growth had reduced the forage available for the cattle. These projects have been ongoing. It was believed that those projects would allow the cattle herd to be sustained to a greater degree by grazing and would reduce the amount of supplements such as corn silage needed and thereby overall feeding costs. Furthermore, the overall number of cattle on the property was reduced to allow for more grazing area per animal. In the fiscal year ended September 30, 2008, Alico reduced its breeding herd by 1,430 animals and in the fiscal year ended August 31, 2007, Alico reduced its breeding herd by approximately 2,000 animals that were identified as poor producers.

The cattle industry has typically operated on a ten year cycle as cow-calf producers expand inventories in response to profits and reduce herd sizes in response to losses. Alico's strategy was based on reducing herd sizes during the expansion phase of the cycle and building herd size through opportunistic acquisitions during the contraction phase. Several atypical factors have combined to alter the cattle cycle in the past few years including the utilization of former pastures for corn production due to increased ethanol demand, and drought conditions in the Southeastern United States. Due to these changes, Alico is currently reevaluating its cattle strategy to determine the most profitable course of action in the current environment.

The core business of Alico's cattle operation is the sale of calves through western feedlots to meat packing facilities, or if advantageous, to third parties directly from the ranch. Due to a severe drought during fiscal year 2007, the stress effect of prior hurricanes on the cattle herd, and the aforementioned herd reduction, calf births have declined over the past several years, totaling 7,763 during the fiscal year ended September 30, 2008, 8,488 during the fiscal year ended August 31, 2007 and 9,029 during the fiscal year ended August 31, 2006. The reduced number of births has resulted in increased unit costs to calves. Additionally, rising corn prices caused by increased demand for ethanol production have caused feeding costs to increase. These factors have combined causing overall profit margins to decline over the affected fiscal years. During the fiscal year ended September 30, 2008, Alico wrote down its cattle inventories by $2.3 million to their net realizable value.

Vegetables

In the fiscal year ended August 31, 2006, in an effort to diversify its agricultural operations, Alico began growing vegetables. During the fiscal year ended September 30 2008, Alico harvested 356,591 crates of corn from 944 acres and 149,478 bushels of beans from 909 acres. In fiscal year 2007, Alico harvested 218,063 crates of corn from 809 acres and 124,642 bushels of beans from 878 acres. During fiscal year 2006, Alico harvested 119,000 crates from 500 acres of sweet corn and 77,000 bushels of green beans from 500 acres.

Revenues from the sale of vegetables were $5.5 million, $3.8 million and $2.4 million for the fiscal years ended September 30, 2008, August 31, 2007 and August 31, 2006, respectively. Gross profits (losses) from the vegetable division were ($0.1 million), $0.5 million and $1.0 million over the same periods. Although the Company harvested more vegetables in the current year, adverse weather conditions combined with less favorable prices and rising production costs have caused vegetable performance to decline over the past two fiscal years, when compared with the prior years.

Effective June 30, 2008, the Company discontinued its participation in Alico-J&J, LLC a joint venture vegetable farm. The parties to the joint venture each held a 50% interest in the earnings, assets and liabilities of the farm. The Company is currently working to dissolve the joint venture and distribute the remaining assets equitably among the members. Losses attributable to the joint venture of $0.7 million have been included with the results of the vegetable division. The Company has accounted for the joint venture under the equity method.

Sod

Alico is also engaged in the cultivation and sale of sod for landscaping purposes. Alico harvested approximately 44.8 million, 64.4 million, and 28.5 million square feet of sod in the fiscal years ended September 30, 2008, August 31, 2007 and August 31, 2006, respectively. Alico produces two varieties of sod, Floratam and Bahia. Floratam is a lush grass that is well suited for manicured lawns. Floratam has fallen into recent disfavor due to its lack of drought tolerance, and increasing restrictions on lawn watering in south and central Florida. Prior to fiscal year 2008, Alico had been expanding its cultivation of Floratam sod. Continued slowdowns in the housing market have caused the demand for Floratam sod to decline substantially. As a result, the Company has abandoned its Floratam inventories, taking write offs of $1.3 million during the fiscal year ended September 30, 2008. Alico has no immediate plans to resume its cultivation of Floratam sod.

Bahia is a native grass to Florida and is tolerant of both wet and dry conditions. It is commonly used for roadsides and medians, as well as pasture forage and lawns. Demand for Bahia sod, although somewhat decreased, remained strong during the fiscal year ended September 30, 2008, accounting for 95% of the total sod volume sold during the fiscal year ended September 30, 2008. While the demand for Bahia sod also declined in the fiscal year ended September 30, 2008, the decline was not as dramatic as the decline in demand for Floratam.

Sod revenues were $1.1 million, $2.2 million and $1.5 million for the fiscal years ended September 30, 2008, August 31, 2007 and August 31, 2006, respectively. Gross profits (losses) from the sod division were ($1.5 million), $0.9 million and $0.7 million over the same periods. The lack of demand for Floratam, as discussed above, caused sod revenue and gross profit to decline for the fiscal year ended September 30, 2008, when compared with the fiscal year ended August 31, 2007. Due to increasing sales of Bahia, revenue and gross profits were higher for the fiscal year ended August 31, 2007 when compared with the fiscal year ended August 31, 2006.

Non Agricultural Operations

Land leasing and rentals

Alico rents land to others on a tenant-at-will basis, for grazing, farming, oil exploration and recreational uses. Revenues from land rentals were $2.3 million, $1.5 million and $1.4 million during the fiscal years ended September 30, 2008, August 31, 2007, and August 31, 2006, respectively, generating gross profits of $1.7 million, $1.1 million, and $0.9 million. Alico plans to increase its leasing activities as opportunity allows.

Mining royalties

Gross revenues from mining royalties were $0.4 million, $1.3 million and $0.9 million for fiscal years ended September 30, 2008, August 31, 2007, and August 31, 2006, respectively. Gross profit from the sale of rock products and sand were $0.3 million, $1.2 million and $0.9 million during the fiscal years ended September 30, 2008, August 31, 2007, and August 31, 2006, respectively.

During fiscal years ended August 31, 2007 and August 31, 2006, the Company continued to receive royalties from a rock mine located in Lee County, Florida. Mining operations ceased at the site during the fiscal year ended August 31, 2007, which caused both revenue and profit from mining operations to decrease during the fiscal year ended September 30, 2008. The rock royalties realized during the fiscal year ended September 30, 2008 were from a 526 acre mine site in Glades County, Florida. As construction in southwest Florida has slowed, so has the demand for mining products. Nevertheless, the Company believes that the proximity of its mining operations and the lack of alternative sites within the industry due to regulatory constraints, indicate that the longer term prospects for mining are favorable. To this end, Alico through its subsidiary Alico Land Development, Inc. is currently seeking permits for rock mines on two additional sites.

Discontinued Operations

Effective June 30, 2008, the Company ceased operating its Alico Plant World facility. Alico Plant World generated revenues of $2.6 million, $2.8 million and $3.3 million during the fiscal years ended September 30, 2008, August 31, 2007 and August 31, 2006, respectively. Plant World's operations generated losses of $1.6 million, $0.5 million and $2.0 million in the fiscal years ended September 30, 2008, August 31, 2007 and August 31, 2006, respectively. Alico Plant World generated losses net of taxes of $0.9 million or $0.12 per share for the fiscal year ended September 30, 2008, $0.2 million or $0.03 per share for the fiscal year ended August 31, 2007 and $1.3 million or $0.18 per share during the fiscal year ended August 31, 2006. The Company is currently leasing the Plant World facilities to a commercial greenhouse operator and has also sold a portion of the equipment used to operate the greenhouse. The results of Alico Plant World's operations and equipment sales have been reported as discontinued operations.

The Company began dissolution of its Agri-Insurance subsidiary during the third quarter of fiscal year 2008. The effect of the dissolutions will be to transfer the assets of Agri Insurance to Alico, Inc. and its subsidiaries. The expected costs of dissolution are not estimated to be material to the Company.

Changes in Officers

John R. Alexander, the Company's Chairman, retired as Chief Executive Officer on June 30, 2008. The Board of Directors appointed Dan L. Gunter as Chief Executive Officer on July 1, 2008. Mr. Gunter had previously served as the Company's President and Chief Operating Officer since April 2006. Mr. Alexander will continue in his role as Chairman of the Board of Directors. As per the terms of a restricted stock grant in October 2006, 12,000 previously unvested shares vested upon Mr. Alexander's retirement. The Company recognized compensation expense of $453 thousand for the fiscal year ended September 30, 2008 in association with the vesting. Additionally, the Company entered into a Transition, Severance, Consulting and Non-Compete agreement with Mr. Alexander effective July 1, 2008, the terms of which are more fully described in the Company's Form 8-K filed on June 30, 2008.

Dan L. Gunter resigned as Chief Executive Officer effective November 17, 2008. Mr. Gunter had been granted 20,000 shares of restricted stock in April 2006 which were to vest 20% in April 2010, and 20% per year afterwards, until fully vested. The Company had been recognizing compensation expense related to the grants. Upon Mr. Gunter's departure, the grants were forfeited, causing the Company to recover $424 thousand of previous compensation related to the grants. Mr. Gunter also executed a Transition, Severance, Consulting and Non-Compete agreement with Alico effective November 21, 2008, the terms of which are more fully described in the Company's Form 8-K filed on November 21, 2008.

The Board of Directors appointed Steven M. Smith as the President and Principal Executive Officer on November 17, 2008. Mr. Smith had formerly served as Alico's Senior Vice-President of Agriculture Operations since November 2006, and as the Company's Citrus Division Vice President from 1996 to 2006. Details concerning Mr. Smith's compensation arrangements are described in the Company's Form 8-K filed on November 21, 2008.

Off Balance Sheet Arrangements

Alico through its wholly owned subsidiary Bowen, enters into purchase contracts for the purchase of citrus fruit during the normal course of its business. The obligations under these purchase agreements totaled $10.9 million at September 30, 2008. All of these purchases were covered by sales agreements at prices exceeding cost. In addition, Bowen had sales contracts totaling $1.8 million at September 30, 2008, for which a purchaser had not been contracted. Bowen management currently believes that all committed sales quantities can be purchased below the committed sales price. All of these contracts will be fulfilled by the end of the fiscal year 2010.

During the second quarter of fiscal year 2007, the Company formed a new company, Alico-J&J Farms, LLC and entered into a joint venture with J&J Produce to produce vegetables on land owned by Alico, Inc. Under the terms of the joint venture, Alico served as a guarantor for 50% of five-year equipment leases to the joint venture. The Company's maximum total remaining unpaid obligations under these leases was $0.5 million at September 30, 2008. The Company expects the lease obligations to be transferred solely to J&J Farms. Effective June 30, 2008, the Company discontinued its participation in Alico-J&J, LLC.

Disclosure of Contractual Obligations

The contractual obligations of Alico at September 30, 2008 are set forth in the table below:

	Payments due by Period				
Contractual obligations	Total	Less than 1 year	1 - 3 years	3 - 5 years	5 + years
Long-term debt	$ 137,758	$ 5,470	$ 91,222	$ 11,614	$ 29,452
Expected interest on debt	29,394	7,109	12,578	4,794	4,913
Commissions	2,705	139	250	1,000	1,316
Citrus purchase contracts	10,901	8,855	2,046	—	—
Retirement benefits	4,532	381	792	779	2,580
Equipment additions	99	99	—	—	—
Consulting contracts	1,043	638	405	—	—
Leases — operating	457	207	250	—	—
Total	$ 186,889	$ 22,898	$ 107,543	$ 18,187	$ 38,261

Critical Accounting Policies and Estimates

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

Net Realizable Value - Alico records inventory at the lower of cost or net realizable value. Management regularly assesses estimated inventory valuations based on current and forecasted usage of the related commodity, observable prices, estimated completion costs and other relevant factors that may affect the net realizable value.

Revenue Recognition - Revenue from agricultural crops is recognized at the time the crop is harvested. Based on fruit buyers' and processors' advances to growers, cash and futures markets combined with experience in the industry, management reviews the reasonableness of revenue accruals quarterly. Adjustments are made throughout the year to these estimates as more current relevant information regarding the specific commodity markets become available.

For sales made through Bowen, Alico applies the provisions of Emerging Issues Task Force ("EITF") Issue No. 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent." Alico's application of EITF 99-19 includes evaluation of the terms of each major customer contract relative to a number of criteria that management considers in making its determination with respect to gross versus net reporting of revenue for transactions with its customers. Management's criteria for making these judgments place particular emphasis on determining the primary obligor in a transaction and which party bears general inventory risk. Bowen purchases and resells citrus fruit; in these transactions, Bowen (i) acts as principal; (ii) takes title to the products; and (iii) has the risks and rewards of ownership, including the risk of loss for collection, delivery or returns. For these transactions, Bowen recognizes revenues based on the gross amounts due from customers.

In recognizing revenue from land sales, Alico follows the provisions in Financial Accounting Standards Board, or FASB, Statement of Financial Accounting Standards, or SFAS, No. 66, "Accounting for Sales of Real Estate," to record these sales. SFAS No. 66 provides specific sales recognition criteria to determine when land sales revenue can be recorded. For example, SFAS No. 66 requires a land sale must be consummated with a sufficient down payment of at least 20% to 25% of the sales price depending upon the type and timeframe for development of the property sold, and that any receivable from the sale cannot be subject to future subordination. In addition, the seller cannot retain any material continuing involvement in the property sold.

Capitalized Costs - In accordance with Statement of Position 85-3 "Accounting by Agricultural Producers and Agricultural Cooperatives", the cost of growing crops are capitalized into inventory until the time of harvest. Once a given crop is harvested, the related inventoried costs are recognized as a cost of sale to provide an appropriate matching of costs incurred with the related revenue earned.

Impairment of Marketable Securities - Alico values its marketable securities based on unadjusted quoted prices in active markets for securities identical to those to be reported at fair value. An active market is a market in which transactions occur for the item to be fair valued with sufficient frequency and volume to provide pricing information on an ongoing basis.

When Quoted prices for the specific securities are not available, Alico uses inputs that are observable either directly or indirectly. These inputs include: (a) Quoted prices for similar securities in active markets; (b) Quoted prices for identical or similar securities in markets that are not active, such as when there are few transactions for the asset or liability, the prices are not current, price quotations vary substantially over time or are among market makers (for example, some brokered markets), or in which little information is released publicly (for example, a principal-to-principal market); (c) Inputs other than quoted prices that are observable for the security (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayments speeds, loss severities, credit risks, and default rates); and (d) Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Unobservable inputs for a security are used to determine fair value only when observable inputs are not available. Unobservable inputs are developed based on the best information available in the circumstances, which include Alico's own data and assumptions that market participants would use in pricing the security.

Unrealized gains and losses determined to be temporary are recorded as other comprehensive income, net of related deferred taxes, until realized. Unrealized losses determined to be other than temporary are recognized in the period the determination is made.

Impairment of Long-Lived Assets - Alico evaluates property, improvements, buildings, equipment and other long lived assets for impairment when events or changes in circumstances indicate that the carrying value of assets contained in Alico's financial statements may not be recoverable. The impairment calculation compares the carrying value of the asset to the asset's estimated future cash flows (undiscounted and without interest charges). Alico recognizes an impairment loss if the amount of the asset's carrying value exceeds the asset's estimated fair value. If an impairment loss is recognized, the adjusted carrying amount of the asset becomes its cost basis. For a depreciable long-lived asset, the new cost basis will be depreciated (amortized) over the remaining useful life of that asset. Restoration of a previously recognized impairment loss is prohibited.

Defined Benefit Retirement Plans - Alico maintains a non-qualified defined benefit deferred compensation plan, for key employees. Although the general assets of Alico are used to fund the plan, Alico has purchased life insurance policies on the covered employees to help fund the plan liabilities. The investments held by these life insurance policies are valued using market quotations. Pension benefit obligations and the related effects on operations are calculated using actuarial models. Two critical assumptions — discount rate and expected return on assets — are important elements of plan expense and asset/liability measurement. Alico evaluates these assumptions annually. Other assumptions involving demographic factors such as retirement age, mortality and turnover are evaluated annually and are updated to reflect Alico's experience. Actual results in any given year will often differ from actuarial assumptions because of economic and other factors. The discount rate enables Alico to state expected future cash flows at a present value on the measurement date. In determining the discount rate, Alico utilizes the yield on high-quality, fixed-income investments currently available with maturities corresponding to the anticipated timing of the benefit payments and rates published by the Pension Benefit Guaranty Corporation (PBGC). At September 30, 2008, the discount rate used to compute Alico's defined benefit deferred compensation plan was 5.775%.

Income Taxes - Deferred income taxes are recognized for the income tax effect of temporary differences between financial statement carrying amounts and the income tax bases of assets and liabilities. Alico regularly reviews its deferred income tax assets to determine whether future taxable income will be sufficient to realize the benefits of these assets. A valuation allowance is provided for deferred income tax assets for which it is deemed, more likely than not, that future taxable income will not be sufficient to realize the related income tax benefits from these assets. The amount of the net deferred income tax asset that is considered realizable could, however, be adjusted if estimates of future taxable income are adjusted.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

Alico's exposure to market rate risk and changes in interest rates relate primarily to its investment portfolio, mortgage notes receivable and Revolving Line of Credit. Investments are placed with high quality issuers and, by policy, limit the amount of credit exposure to any one issuer. Alico is adverse to principal loss and provides for the safety and preservation of invested funds by limiting default, market and reinvestment risk. Alico classifies cash equivalents and short-term investments as fixed-rate if the rate of return on such instruments remains fixed over their term. These fixed-rate investments include fixed-rate U.S. government securities, municipal bonds, time deposits and certificates of deposit. Cash equivalents and short-term investments are classified as variable-rate if the rate of return on such investments varies based on the change in a predetermined index or set of indices during their term. These variable-rate investments primarily include money market accounts, mutual funds and equities held at various securities brokers and investment banks.

The table below presents the costs and estimated fair value of the investment portfolio at September 30, 2008:

	Cost	Estimated Fair Value
Marketable Securities and Short-term Investments (1)		
Fixed Rate	$ 18,922	$ 18,902
Variable Rate	$ 9,575	$ 9,445

(1) See definition in Notes 1 and 2 in Notes to Consolidated Financial Statements.

The aggregate fair value of investments in debt instruments (net of mutual funds of $1,325) as of September 30, 2008, by contractual maturity date, consisted of the following:

	Aggregate Fair Values
Due in one year or less	$ 15,227
Due between one and five years	4,815
Due between five and ten years	1,000
Due thereafter	5,980
Total	$ 27,022

Fixed rate securities tend to decline with market rate interest increases. Variable rate securities are generally affected more by general market expectations and conditions. A 1% change in interest rates on Alico's portfolio would impact Alico's annual interest revenue by approximately $636 thousand. Additionally, Alico has debt with interest rates that vary with LIBOR. A 1% increase in this rate would impact Alico's annual interest expense by approximately $807 thousand based on Alico's outstanding debt under these agreements at September 30, 2008.

A 1% change in the LIBOR would impact Alico's interest revenue from its mortgage notes receivable by approximately $541 thousand.

Item 8. Financial Statements and Supplementary Data.

Report of Independent Registered Certified Public Accounting Firm

To the Board of Directors and Stockholders
Alico, Inc.

We have audited the accompanying consolidated balance sheets of Alico, Inc. and Subsidiaries as of September 30, 2008 and 2007, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss), and cash flows for the years ended September 30, 2008 and August 31, 2007, and for the one month transitional period ended September 30, 2007. These financial statements are the responsibility of Alico's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Alico, Inc. and Subsidiaries as of September 30, 2008 and 2007, and the results of their operations and their cash flows for the years ended September 30, 2008 and August 31, 2007, and for the one month transitional period ended September 30, 2007, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Alico, Inc. and Subsidiaries' internal control over financial reporting as of September 30, 2008, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated December 15, 2008 expressed an unqualified opinion on the effectiveness of Alico, Inc. and Subsidiaries' internal control over financial reporting.

/s/ McGladrey & Pullen, LLP

Orlando, Florida
December 15, 2008

REPORT OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Alico, Inc.

We have audited Alico, Inc. and Subsidiaries internal control over financial reporting as of September 30, 2008, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Alico, Inc. and Subsidiaries' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Alico, Inc. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of September 30, 2008, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Alico, Inc. and Subsidiaries as of September 30, 2008 and 2007 and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss), and cash flows for the years ended September 30, 2008 and August 31, 2007 and for the one month transitional period ended September 30, 2007 and our report dated December 15, 2008 expressed an unqualified opinion.

/s/ McGladrey & Pullen, LLP

Orlando, Florida
December 15, 2008

Report of Independent Registered Certified Public Accounting Firm

To the Stockholders and Board of Directors of
Alico, Inc. and Subsidiaries

We have audited the accompanying consolidated statements of operations, stockholders' equity and comprehensive income (loss), and cash flows for the year ended August 31, 2006 of Alico, Inc. and Subsidiaries. These financial statements are the responsibility of Alico's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations of Alico, Inc. and Subsidiaries, and their cash flows for the year ended August 31, 2006, in conformity with U.S. generally accepted accounting principles.

/s/ Tedder, James, Worden & Associates, P.A.

Orlando, Florida
November 17, 2006

CONSOLIDATED BALANCE SHEETS
(in thousands)

	September 30, 2008	September 30, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 54,370	$ 31,599
Marketable securities available for sale	24,267	46,511
Accounts receivable, net	5,394	15,126
Federal income tax receivable	6,388	5,696
Mortgages and notes receivable	2,830	3,832
Inventories	27,451	27,232
Deferred tax asset	1,507	2,661
Other current assets	923	2,719
Total current assets	123,130	135,376
Other assets:		
Mortgages and notes receivable, net of current portion	4,774	6,688
Investments, marketable securities available for sale and deposits	6,975	3,875
Deferred tax asset	6,056	3,208
Cash surrender value of life insurance, designated	7,585	7,656
Total other assets	25,390	21,427
Property, buildings and equipment	181,429	178,968
Less accumulated depreciation	(56,017)	(50,422)
Net property, buildings and equipment	125,412	128,546
Total assets	$ 273,932	$ 285,349

(Continued)

CONSOLIDATED BALANCE SHEETS
(in thousands)

	September 30, 2008	September 30, 2007
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,847	$ 1,943
State income taxes payable	281	9,114
Current portion of notes payable	5,470	1,350
Accrued expenses	3,372	4,425
Dividends payable	2,027	4,048
Accrued ad valorem taxes	2,270	2,105
Other current liabilities	2,933	2,153
Total current liabilities	18,200	25,138
Notes payable, net of current portion	132,288	134,534
Deferred retirement benefits, net of current portion	4,151	4,466
Commissions and deposits payable	3,800	4,265
Total liabilities	158,439	168,403
Stockholders' equity:		
Preferred stock, no par value. Authorized 1,000 shares; issued, none	—	—
Common stock, $1 par value. Authorized 15,000 shares; issued 7,376 shares; outstanding 7,374 in 2008 and 7,357 in 2007	7,376	7,376
Additional paid in capital	9,474	10,199
Treasury stock, at cost	(64)	(891)
Accumulated other comprehensive (loss) income	(92)	49
Retained earnings	98,799	100,213
Total stockholders' equity	115,493	116,946
Total liabilities and stockholders' equity	$ 273,932	$ 285,349

See accompanying Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands except per share data)

	Year Ended Sept. 30, 2008	One Month Ended Sept. 30, 2007	Year Ended Aug. 31, 2007	Year Ended Aug. 31, 2006
Operating revenue				
Agricultural operations	$ 109,833	$ 570	$ 125,841	$ 71,742
Non-agricultural operations	2,679	188	2,835	2,309
Real estate operations	3,870	—	3,329	113
Total operating revenue	116,382	758	132,005	74,164
Operating expenses				
Agricultural operations	98,090	722	98,393	61,435
Non-agricultural operations	706	46	519	452
Real estate operations	3,529	59	3,408	61
Net casualty (recovery)	—	—	—	(4,036)
Total operating expenses	102,325	827	102,320	57,912
Gross profit (loss)	14,057	(69)	29,685	16,252
Corporate general and administrative	11,478	815	12,727	10,901
Profit (loss) from continuing operations	2,579	(884)	16,958	5,351
Other income (expenses):				
Profit on sales of bulk real estate:				
Sales	817	—	1,434	5,761
Cost of sales	—	—	(177)	(1,392)
Profit on sales of bulk real estate, net	817	—	1,257	4,369
Interest & investment income	7,745	683	7,337	8,944
Interest expense	(6,565)	(820)	(5,652)	(3,852)
Other	262	(4)	225	368
Total other income, (expense) net	2,259	(141)	3,167	9,829
Income (loss) from continuing operations before income taxes	4,838	(1,025)	20,125	15,180
(Benefit from) Provisions for income taxes	(765)	(176)	33,520	7,159
Income (loss) from continuing operations	5,603	(849)	(13,395)	8,021
(Loss) income from discontinued operations, net of taxes	(890)	169	(295)	(1,230)
Net (loss) income	$ 4,713	$ (680)	$ (13,690)	$ 6,791
Weighted-average number of shares outstanding	7,367	7,358	7,369	7,368
Weighted-average number of shares outstanding assuming dilution	7,385	7,358	7,369	7,379
Per share amounts- income (loss) from continuing operations:				
Basic	$ 0.76	$ (0.12)	$ (1.82)	$ 1.09
Diluted	$ 0.76	$ (0.12)	$ (1.82)	$ 1.09
Per share amounts- net income (loss)				
Basic	$ 0.64	$ (0.09)	$ (1.86)	$ 0.92
Diluted	$ 0.64	$ (0.09)	$ (1.86)	$ 0.92
Dividends	$ 1.10	$ 0.28	$ 1.10	$ 1.03

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)
(in thousands)

	Common Stock Shares Issued	Common Stock Amount	Additional Paid in Capital	Treasury Stock at cost	Accumulated Other Comprehensive Income (loss)	Retained Earnings	Total
Restated Balances, August 31, 2005	7,369	7,369	9,183		2,195	125,914	144,661
Comprehensive income:							
Net income	—	—	—	—	—	6,791	6,791
Unrealized losses on securities, net of taxes of $408 and reclassification adjustment	—	—	—	—	(2,224)	—	(2,224)
Total comprehensive income:							4,567
Dividends	—	—	—	—	—	(7,556)	(7,556)
Treasury Stock Purchased	—	—	—	(763)	—	—	(763)
Stock based compensation - Directors	—	—	52	476	—	—	528
Employee:							
Stock options exercised	7	7	127	—	—	—	134
Stock based compensation	—	—	329	—	—	—	329
Balances, August 31, 2006	7,376	$ 7,376	$ 9,691	$ (287)	$ (29)	$ 125,149	$ 141,900
Comprehensive income:							
Net loss	—	—	—		—	(13,690)	(13,690)
Unrealized losses on securities, net of taxes of $39 and reclassification adjustment	—	—	—	—	74	—	74
Total comprehensive income:							(13,616)
Dividends	—	—	—	—	—	(8,106)	(8,106)
Treasury Stock Purchased	—	—	—	(1,484)	—	—	(1,484)
Stock based compensation - Directors	—	—	37	478	—	—	515
Employee:							
Stock options exercised	—	—	(39)	55	—	—	16
Stock based compensation	—	—	480	192	—	—	672
Balances, August 31, 2007	7,376	$ 7,376	$ 10,169	$ (1,046)	$ 45	$ 103,353	$ 119,897
Comprehensive income:							
Net loss	—	—	—		—	(680)	(680)
Liability- Uncertain Tax Positions	—	—	—	—	—	(436)	(436)
Unrealized gain on securities, net of taxes of $1 and reclassification adjustment	—	—	—	—	4	—	4
Total comprehensive loss:							(1,112)
Dividends	—	—	—	—	—	(2,024)	(2,024)
Treasury Stock Purchased							
Stock based compensation - Directors	—	—	(6)	155	—	—	149
Employee:							
Stock options exercised	—	—	—	—	—	—	—
Stock based compensation	—	—	36	—	—	—	36
Balances, September 30, 2007	7,376	$ 7,376	$ 10,199	$ (891)	$ 49	$ 100,213	$ 116,946
Comprehensive income:							
Net income	—	—	—	—	—	4,713	4,713
Unrealized losses on securities, net of taxes of $87 and reclassification adjustment	—	—	—	—	(141)	—	(141)
							4,572
Total comprehensive income:							
Dividends	—	—	—	—	—	(6,127)	(6,127)
Treasury Stock Purchased	—	—	—	(1,196)	—		(1,196)
Stock based compensation - Directors	—	—	(114)	567	—		453
Employee:							
Stock options exercised	—	—	(80)	111	—	—	31
Stock based compensation	—	—	(531)	1,345	—	—	814
Balances, September 30, 2008	7,376	$ 7,376	$ 9,474	$ (64)	$ (92)	$ 98,799	$ 115,493

	Fiscal Year 2008	One Month Sept. 30, 2007	Fiscal Year 2007	Fiscal Year 2006
Disclosure of reclassification amount:				
Unrealized holding (losses) gains arising during the period	(209)	27	62	(29)
Less: reclassification adjustment for realized gain				

(loss) included in net income	(68)	23	(12)	2,195
Net unrealized (losses) gains on securities	(141)	4	74	(2,224)

See accompanying Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended Sept. 30, 2008	One Month Ended Sept. 30, 2007	Year Ended August 31, 2007	Year Ended August 31, 2006
Increase (Decrease) in Cash and Cash equivalents:				
Cash flows from operating activities:				
Net income (loss)	$ 4,713	$ (680)	$ (13,690)	$ 6,791
Adjustments to reconcile net income (loss) to cash (used for) provided by operating activities:				
Depreciation & amortization	8,317	707	8,770	8,590
Gain on breeding herd sales	(38)	(36)	(529)	(162)
Deferred income tax expense, net	(1,694)	(204)	(21,255)	883
Deferred retirement benefits	(276)	(74)	(1,186)	245
Net gain on sale of marketable securities	(63)	—	(31)	(3,254)
Loss on sale of property and equipment	668	—	(20)	861
Fixed asset impairments	1,599	—	2,028	—
Loss from non consolidated joint venture	653	—	57	—
Gain on real estate sales	(817)	(93)	(1,257)	(4,369)
Stock based compensation	1,267	185	1,187	857
Imputed interest on mortgage note receivable	—	—	—	(2,891)
Cash provided by (used for) changes in:				
Accounts receivable	8,809	890	(7,149)	2,323
Inventories	(219)	(2,018)	(669)	(4,159)
Other assets	547	(321)	(163)	(1,585)
Accounts payable & accrued expenses	(169)	(192)	(756)	719
Income taxes payable/receivable	(9,525)	83	2,031	1,304
Other non-current liability	—	—	(20,293)	3,339
Net cash provided by (used for) operating activities	13,772	(1,753)	(52,925)	9,492
Cash flows from investing activities:				
Increase in land inventories	—	—	—	(793)
Real Estate deposits and accrued commissions	100	—	1,622	6,811
Purchases of property and equipment	(6,130)	(293)	(9,138)	(33,172)
Sale (purchase) of other investments	37	—	(878)	—
Proceeds from disposals of property and equipment	1,511	90	1,652	1,092
Proceeds from sale of real estate	—	—	—	5,555
Purchases of marketable securities and investments	(46,863)	(1,574)	(54,882)	(92,583)
Proceeds from sales of marketable securities	64,949	1,309	58,823	109,992
Collection of mortgages and notes receivable	2,830	—	2,173	632
Net cash provided by (used for) investing activities	$ 16,434	$ (468)	$ (628)	$ (2,466)

(continued)

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CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended Sept. 30, 2008	One Month Ended Sept. 30, 2007	Year Ended August 31, 2007	Year Ended August 31, 2006
Cash flows from financing activities:				
Proceeds from exercise of stock options	$ 31	$ —	$ 16	$ 134
Treasury stock purchases	(1,196)	—	(1,484)	(763)
Proceeds from notes payable	42,040	1,101	95,959	65,814
Principal payment of notes payable	(40,166)	(2,106)	(23,072)	(53,160)
Dividends paid	(8,144)	—	(8,106)	(7,370)
Net cash provided by (used for) financing activities	(7,435)	(1,005)	63,313	4,655
Net increase (decrease) in cash and cash equivalents	22,771	(3,226)	9,760	11,681
Cash and cash equivalents:				
At beginning of year	31,599	34,825	25,065	13,384
At end of year	$ 54,370	$ 31,599	$ 34,825	$ 25,065
Supplemental disclosures of cash flow information:				
Cash paid for interest, net of amount capitalized	$ 8,182	$ 43	$ 5,077	$ 3,576
Cash paid for income taxes, including related interest	$ 10,579	$ —	$ 72,818	$ 1,803
Non-cash investing activities:				
Reclassification of breeding herd to Property & Equipment	$ 458	$ —	$ 594	$ 516

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of September 30, 2008 and 2007,
and for the years ended September 30, 2008, August 31, 2007 and 2006
and the one month transition period ended September 30, 2007
(in thousands except for unit data)

(1) Summary of Significant Accounting Policies

Change in Fiscal Year

On September 28, 2007, the Board of Directors of the Company approved a change in the Company's fiscal year end from August 31 to September 30. The fiscal year change is effective beginning with the Company's 2008 fiscal year. The Company's 2008 fiscal year began on October 1, 2007 and ended September 30, 2008, resulting in a one month transition period that began September 1, 2007 and ended September 30, 2007. This Form 10-K includes the audited results as of September 30, 2008 and 2007 and for the fiscal years ended September 30, 2008, August 31, 2007 and August 31, 2006, as well as audited results for the one month transition period ended September 30, 2007.

(a) Basis of Consolidated Financial Statement Presentation

The consolidated financial statements include the accounts of Alico, Inc. (Alico) and its wholly owned subsidiaries, Alico Land Development Company (formally known as Saddlebag Lake Resorts, Inc.), Agri-Insurance Company, Ltd. (Agri), Alico-Agri, Ltd., Alico Plant World, LLC and Bowen Brothers Fruit, LLC (Bowen) (collectively referred to as the "Company"), after elimination of all significant intercompany balances and transactions.

(b) Revenue Recognition

Revenue from agricultural crops is recognized at the time the crop is harvested and delivered to the customer. Based on buyers' and processors' advances to growers, cash and futures markets combined with experience in the industry, management reviews the reasonableness of the revenue accruals quarterly. Adjustments are made throughout the year to these estimates as more current relevant information regarding the specific markets become available. Differences between the estimates and the final realization of revenue can be significant, and can be either positive or negative. Fluctuation in the market prices for citrus fruit has caused Alico to recognize additional revenue from the prior years' crops totaling $527 thousand, $537 thousand, and $838 thousand, during the fiscal years ended September 30, 2008, August 31 2007 and August 31, 2006, respectively. No additional revenue was recognized during the transition period ended September 30, 2007. Beyond the citrus revenue adjustments discussed above, no material adjustments were noted to the reported revenues of Alico's crops for any of the periods covered by this report.

Alico recognizes revenue from cattle sales at the time the cattle are sold. Alico recognizes revenue from the sale of vegetables and sod at the time of harvest and delivery to the customer.

For sales made through Bowen, Alico applies the provisions of Emerging Issues Task Force ("EITF") Issue No. 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent". Alico's application of EITF 99-19 includes evaluation of the terms of each major customer contract relative to a number of criteria that management considers in making its determination with respect to gross versus net reporting of revenue for transactions with its customers. Management's criteria for making these judgments place particular emphasis on determining the primary obligor in a transaction and which party bears general inventory risk. Bowen purchases and resells citrus fruit; in these transactions, Bowen (i) acts as a principal; (ii) takes title to the products; and (iii) has the risks and rewards of ownership, including the risk of loss for collection, delivery or returns. Due to the aforementioned factors, Bowen recognizes revenue based on the gross amounts due from customers.

(c) Real Estate

Real estate sales are recorded under the accrual method of accounting. Gains from commercial or bulk land sales are not recognized until payments received for property to be developed within two years after the sale equal 20%, or property to be developed after two years equal 25% of the contract sales price according to the installment sales method.

Real estate costs incurred for the acquisition, development and construction of real estate projects are capitalized. Additionally, costs to market real estate are capitalized if they are reasonably expected to be recovered from the sale of the project.

Properties are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment losses are recognized when the carrying amount of a property exceeds its fair value. Such events or changes in circumstances include significant decreases in the market price of such properties; significant adverse changes in legal factors, the business climate or the extent or manner in which the asset is being used; an accumulation of costs significantly in excess of amounts originally expected for the property; continuing operating cash flow losses associated with the property or an expectation that it is more likely than not that the property will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. Impairment losses are measured as the amount by which the carrying amount of a property exceeds its fair value.

(d) Marketable Securities Available for Sale

Marketable securities available for sale are carried at their fair value. Net unrealized investment gains and losses are recorded net of related deferred taxes in accumulated other comprehensive income within stockholders' equity until realized. Unrealized losses determined to be other than temporary are recognized in the statement of operations in the period the determination is made. The cost of all marketable securities available for sale is determined on the specific identification method.

Alico values its marketable securities based on unadjusted quoted prices in active markets for securities identical to those to be reported at fair value. An active market is a market in which transactions occur for the item to be valued with sufficient frequency and volume to provide pricing information on an ongoing basis.

When direct quotations are not available, Alico utilizes inputs that are observable either directly or indirectly. These inputs include: (a) Quoted prices for similar securities in active markets; (b) Quoted prices for identical or similar securities in markets that are not active, such as when there are few transactions for the asset or liability, the prices are not current, price quotations vary substantially over time or are among market makers (for example, some brokered markets), or in which little information is released publicly (for example, a principal-to-principal market); (c) Inputs other than quoted prices that are observable for the security (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayments speeds, loss severities, credit risks, and default rates); and (d) Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Unobservable inputs for a security are used to determine fair value only when observable inputs are not available. Unobservable inputs are developed based on the best information available in the circumstances, which include Alico’s own data and assumptions that market participants would use in pricing the security.

(e) Inventories

The costs of growing crops are capitalized into inventory until the time of harvest. Once a given crop is harvested, the related inventoried costs are recognized as a cost of sale to provide an appropriate matching of expenses with the related revenue earned.

Alico states its inventories at the lower of cost or net realizable value. The cost for unharvested citrus and sugarcane crops is based on accumulated production costs incurred during the period from January 1 through the balance sheet date. The cost of the beef cattle inventory is based on the accumulated cost of developing such animals for sale.

(f) Mortgages and notes receivable

Mortgages and notes receivable arise from real estate sales. Mortgages and notes receivable are carried at their estimated net realizable value. In circumstances where the stated interest rate is below the prevailing market rate, the note is discounted to yield the market rate of interest. The discount offsets the carrying amount of the mortgages and notes receivable.

Under the installment method of accounting, gains from commercial or bulk land sales are not recognized until payments received for property equal or exceed 20% of the contract sales price for property to be developed within two years after the sale or 25% of the contract sales price for property to be developed after two years. Such gains are recorded as deferred revenue and offset the carrying amount of the mortgages and notes receivable.

(g) Accounts receivable

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

(h) Property, Buildings and Equipment

Property, buildings and equipment are stated at cost. All costs related to the development of citrus groves, through planting, are capitalized. Such costs include land clearing, excavation and construction of ditches, dikes, roads, and reservoirs, etc. After the planting, caretaking costs or pre-productive maintenance costs are capitalized for four years. After four years, a grove is considered to have reached maturity and the accumulated costs, except for land excavation, become the depreciable basis of a grove and are depreciated over 25 years.

Development costs for sugarcane are capitalized the same as citrus. However, sugarcane matures in one year and Alico is able to harvest an average of 3 crops (1 per year) from one planting. As a result, cultivation/caretaking costs are expensed as the crop is harvested, while the appropriate development and planting costs are depreciated over 3 years.

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

Depreciation for financial reporting purposes is computed on straight-line or accelerated methods over the estimated useful lives of the various classes of depreciable assets. See Note 5 to the consolidated financial statements.

Alico accounts for long-lived assets in accordance with the provisions of (Statement of Financial Accountant Standards) No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets”. This Statement requires long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(i) Investments and Deposits

Investments primarily include stock owned in agricultural cooperatives, marketable debt securities for which a ready market is not available, and loan origination fees. Marketable debt securities are valued as discussed in item 1(d) of the Summary of Significant Accounting Policies. Investments in stock related to agricultural coops and deposits are carried at cost except for loan origination fees that are being amortized over the life of the loan. Alico uses cooperatives to process and sell sugarcane and citrus. Cooperatives typically require members to acquire stock ownership as a condition for the use of its services.

During fiscal year 2006, Alico entered into and later amended a Credit Facility with a commercial bank for a $175.0 million line of credit which matures on August 1, 2011. During 2008, Alico converted $50.0 million of the outstanding balance on its $175.0 million line of credit to a 10 year term loan. Loan origination and other related fees included as investments and deposits were $376 thousand, and $535 thousand at September 30, 2008, and September 30, 2007, respectively and are being amortized over the life of the Credit Facility. The amortization expense was $189 thousand, $189 thousand and $124 thousand for fiscal years ended September 30, 2008, August 31, 2007 and August 31, 2006, respectively. The amortization expense was $16 thousand for the one month transition period ended September 30, 2007.

(j) Income Taxes

Alico accounts for income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Alico includes interest and penalties from taxing authorities as a component of income tax expense.

(k) Net Earnings per Share

Outstanding stock options and restricted stock shares represent the only dilutive effects reflected in the computation of weighted average shares outstanding assuming dilution. There were no stock options issued that could potentially dilute basic earnings per share in the future that were not included in the computation of earnings per share, assuming dilution.

(l) Cash Flows

For purposes of the cash flows, cash and cash equivalents include cash on hand and investments with an active market and an original maturity of less than three months.

At various times throughout the year, and at September 30, 2008, some deposits held at financial institutions were in excess of federally insured limits. However, Alico places its cash deposits with high quality financial institutions and believes it is not exposed to significant credit risk with these accounts.

(m) Use of Estimates

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities. Actual results could differ significantly from those estimates. Although some variability is inherent in these estimates, management believes that the amounts provided are adequate. The valuation of Alico's inventories, the estimated market values used for impairment evaluations, the collectibility of accounts and notes receivable and the recognition of citrus and sugarcane revenues are some of the more significant estimates made by Management.

(n) Fair Value of Financial Instruments and Accruals

The carrying amounts in the consolidated balance sheets for accounts receivable, mortgages and notes receivable, accounts payable and accrued expenses approximate fair value because of the immediate or short term maturity of these items. Where stated interest rates are below market, Alico has discounted mortgage notes receivable to reflect their estimated fair market value. Alico carries its marketable securities available for sale at fair value. The carrying amounts reported for Alico's long-term debt approximates fair value because they are transactions with commercial lenders at interest rates that vary with market conditions and fixed rates that approximate market.

(o) Accumulated Other Comprehensive Income (Loss)

Comprehensive income (loss) is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes both net income and other comprehensive income or loss. Items included in other comprehensive income or losses are classified based on their nature. The total of other comprehensive income or loss for a period has been transferred to an equity account and displayed as "accumulated other comprehensive income (loss)".

(p) Stock-Based Compensation

Alico measures and recognizes compensation cost at fair value for all share-based payments, including stock options and restricted share awards. Stock-based compensation recognized for the fiscal years ended September 30, 2008, August 31, 2007 and August 31, 2006 was approximately $429 thousand, $672 thousand and $329 thousand, and was included in general and administrative expenses in the consolidated statements of operations. Stock based compensation recognized during the one month transition period ended September 30, 2007 was $37 thousand. This expense includes compensation expense, recognized over the applicable vesting periods, for new share-based awards and for share-based awards granted prior to, but not yet vested, as of September 30, 2008. For further information concerning stock based compensation, please see Note 7 to the consolidated financial statements.

(q) Reclassifications

Certain amounts from 2007 and 2006 have been reclassified to conform to the 2008 presentation. These reclassifications had no impact on working capital net income, stockholders' equity or cash flows as previously reported.

(r) Major customers

For the fiscal year ended September 30, 2008, Alico's largest customer accounted for 21% of operating revenue. Alico's largest customer is United States Sugar Corporation (USSC), for whom Alico grows raw sugarcane. Since the inception of its sugarcane program in 1988, Alico has sold 100% of its product through a pooling agreement with USSC, a local Florida sugar mill. Additionally, Alico sells citrus to Southern Gardens, a wholly owned subsidiary of USSC. These marketing arrangements involve marketing pools which allow the contracting party to market Alico's product in conjunction with the product of other entities in the pool and pay Alico a proportionate share of the resulting revenue from the sale of the entire pooled product. While Alico believes that it can replace the citrus processing portion of the contract with other customers, it may not be able to do so quickly and the results may not be as favorable as the current contracts.

Florida Governor Charlie Crist has announced that the South Florida Water Management District (SFWMD) is negotiating a purchase of the land holdings of USSC. Under the terms of the most recent proposal, USSC will retain ownership and continue operation of its sugar mill, sugar refinery and citrus plant. USSC would lease back the property sold to SFWMD for a period of seven crop cycles. Based on current information, Alico is unable to assess the impact of this potential transaction on its operations. As the potential sale progresses and more details become known, Alico will continue to assess its options and strategies going forward.

Details concerning the sales and receivables from USSC and Alico's other major customers are as follows as of and for the fiscal years ended:

	Accounts receivable		Revenues		
	Sept 30, 2008	Sept 30, 2007	Sept 30, 2008	Aug 31, 2007	Aug 31, 2006
USSC	$ 2,373	$ 1,497	$ 9,671	$ 9,432	$ 8,926
Southern Garndens	$ 2,373	$ 4,288	$ 15,041	$ 19,517	$ 2,133
Cutrale Citurs Juices	$ —	$ —	$ 21,162	$ 6,345	$ 1,748
Florida Orange Marketers	$ —	$ —	$ 13,396	$ 7,305	$ 1,394
Citrosuco North American, Inc.	$ —	$ —	$ 13,336	$ 8,297	$ 1,451

There was no revenue from these customers during the September, 2007 one month transition period.

(2) Marketable Securities Available for Sale

Alico has classified 100% of its investments in marketable securities as available for sale and, as such, the securities are carried at fair value. Unrealized gains and losses determined to be temporary are recorded as other comprehensive income, net of related deferred taxes, until realized. Unrealized losses determined to be other than temporary are recognized in the period the determination is made.

The cost and estimated fair values of marketable securities available for sale at September 30, 2008 and 2007 were as follows:

	2008				2007			
	Cost	Gross Unrealized Gains	Losses	Estimated Fair Value	Cost	Gross Unrealized Gains	Losses	Estimated Fair Value
Debt securities								
Municipal bonds	$23,493	$ 3	$ (150)	$ 23,346	$29,213	$ 23	$ (2)	$ 29,234
Mutual funds	1,325	—	—	1,325	2,000	—	—	2,000
Fixed maturity funds	3,529	7	—	3,536	12,569	49	(2)	12,616
Corporate bonds	150	—	(10)	140	2,670	—	(9)	2,661
Total	$28,497	$ 10	$ (160)	$ 28,347	$46,452	$ 72	$ (13)	$ 46,511
Marketable securities available for sale				24,267				46,511
Investment-non current, included in investments and deposits				$ 4,080				$ —

The aggregate fair value of investments in debt securities (net of mutual funds of $1,325) as of September 30, 2008 by contractual maturity date, consisted of the following:

	Aggregate Fair Value
Due in one year or less	$ 15,227
Due between one and five years	4,815
Due between five and ten years	1,000
Due thereafter	5,980
Total	$ 27,022

Realized gains and losses on the disposition of securities were as follows:

	Year Ended Sept. 30, 2008	Month Ended Sept. 30, 2007	Year Ended August 31, 2007	Year Ended August 31, 2006
Realized gains	$ 45	$ —	$ 71	$ 4,962
Realized losses	(9)	—	(40)	(1,708)
Net	$ 36	$ —	$ 31	$ 3,254

In evaluating whether a security was other than temporarily impaired, Alico considered the severity and length of time impaired for each security in a loss position. Other qualitative data was also considered including recent developments specific to the organization issuing the security and the overall environment of the financial markets. The following table shows the gross unrealized losses and fair value of Alico's investments with unrealized losses that are not deemed to be other than temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at September 30, 2008:

	Less than 12 months		12 months or greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Municipal bonds	$ 14,961	$ 150	$ —	$ —	$ 14,961	$ 150
Corporate bonds	$ —	—	140	10	140	10
Total	$ 14,961	$ 150	$ 140	$ 10	$ 15,101	$ 160

Due to the recent volatility in the financial markets, Alico has continued to focus on short term, highly rated and highly liquid investments. During the fiscal year ended September 30, 2008, the average return on these investments declined considerably due to lower interest rates. The preservation of capital is a primary objective of the Company's investment strategy; however, during the fiscal year ended September 30, 2008, the Company was unable to liquidate several auction rate securities, having a total face value of $5.9 million. Several of these securities were called subsequent to the balance sheet date. The remaining securities are highly rated and continue to pay interest, but absent an observable market for the security, Alico analyzed each security based on call dates and provisions, bond ratings, prevailing interest rates, and broker expectations. As a result of these evaluations, Alico determined that one $3.0 million municipal bond was impaired. An unrealized loss of $120 thousand was recognized for the fiscal year ended September 30, 2008 as a temporary impairment at September 30, 2008 and charged to other comprehensive income. The impaired security was classified as a non-current investment at September 30, 2008. In addition $1.2 million of the remaining auction rate securities were classified as non-current assets at September 30, 2008 at face value, based on the conclusions reached by the Company's evaluation.

Debt instruments and funds. The unrealized losses on municipal bonds, fixed maturity funds and corporate bonds were primarily due to changes in interest rates. At September 30, 2008 Alico held loss positions in 25 government backed bonds and 1 corporate bond position. Because the decline in market values of these securities is attributable to changes in interest rates and not credit quality and because Alico has the ability and intent to hold these investments until a recovery of fair value, which may be maturity, Alico does not believe any of the unrealized losses represent other than temporary impairment based on evaluations of available evidence as of September 30, 2008.

(3) Mortgages and Notes Receivable

Mortgage and notes receivable arose from real estate and other property sales. The balances are as follows:

	September 30, 2008	September 30, 2007
Mortgage notes receivable on retail land sales	$ 205	$ 299
Mortgage notes receivable on bulk land sales	54,108	65,963
Other notes receivable	90	—
Total mortgages and notes receivable	54,403	66,262
Less: Deferred revenue	(46,793)	(53,253)
Discount on note to impute market interest	(6)	(2,489)
Current portion	(2,830)	(3,832)
Non-current portion	$ 4,774	$ 6,688

Maturities of the mortgages and notes receivable are as follows:

Due within 1 year	$ 2,830
Due between 1 and 2 years	1,083
Due between 2 and 3 years	4,073
Due between 3 and 4 years	8,039
Due between 4 and 5 years	12,037
Due beyond five years	26,341
Total mortgages and notes receivable	54,403
Less: Deferred Revenue	(46,793)
Discount on note to impute market interest	(6)
Net mortgages and notes receivable	$ 7,604

The mortgage notes receivable on bulk land sales relate to two parcels in Lee County, Florida referred to as the “East” and “Crockett” parcels sold to the Ginn Companies. In July 2005, Alico’s subsidiary, Alico-Agri entered into a sales contract for the East property, consisting of approximately 4,538 acres for $62.9 million. At the time of the sale, Alico-Agri received a down payment of $6.2 million and a mortgage note of $56.6 million in exchange for the East property. The Crockett sale was for approximately 80 acres for $12.0 million, and closed in December, 2006. Alico-Agri received a down payment of $600 thousand and a mortgage note of $11.4 million in exchange for the Crockett property.

Alico-Agri records real estate sales following the provisions in Financial Accounting Standards Board, or FASB, Statement of Financial Accounting Standards No. 66, “Accounting for Sales of Real Estate,” Under these guidelines, gains from commercial or bulk land sales are not recognized until payments received for property to be developed within two years after the sale represent a 20% continuing interest in the property or for property to be developed after two years, a 25% continuing interest in the property according to the installment sales method. The continuing interest thresholds for gain recognition were not met for either the East or Crockett contract during the years presented and Alico-Agri is recognizing gains proportionate to principal receipts through deferred gain accounts which serve to discount the mortgage note receivables under the installment method.

Alico-Agri received principal payments of $0.4 million during the fiscal year ended September 30, 2008, and $2.1 million on the East mortgage during the fiscal year ended August 31, 2007. Alico-Agri further restructured the East agreement in November 2008. Ginn has subsequently issued Alico-Agri a deed in lieu of foreclosure on the Crockett contract. In light of the aforementioned events, Alico-Agri wrote off the mortgage, associated discount and deferred gain related to the Crockett sale as of the end of the fiscal year ended September 30, 2008 and reestablished a basis of $1.0 million in the property.

Profits from commercial real estate sales are discounted to reflect the market rate of interest when the stated rate of the mortgage note is less than the market rate. The recorded imputed interest discounts are realized as the balances due are collected. In the event of early liquidation, interest is recognized on the simple interest method. At September 30, 2007, both the East and Crockett mortgages were discounted to reflect current market interest rates.

In October 2008, Alico-Agri received a payment of $2.5 million in escrow in connection with the restructure of the East contract. In connection with the East restructure, principal payments were extended as follows (thousands):

Due Date	*Due before restructure*	*Due after restructure*
9/28/08	$ 3,980	$ 1,787
9/28/09	12,000	1,000
9/28/10	12,000	1,000
9/28/11	26,128	4,000
9/28/12	-0-	8,000
9/28/13	-0-	12,000
9/28/14	$ -0-	$ 26,321

Interest will continue to accrue on the unpaid balance of the note and be paid in quarterly installments. The note will bear interest at HSH LIBOR plus 150 basis points from September 29, 2008 to September 28, 2009, HSH LIBOR plus 200 basis points from September 29, 2009 to September 28, 2010 and HSH LIBOR plus 250 basis points thereafter until the note is paid in full. Ginn will forfeit release credits it has accumulated on the property in the event of default, foreclosure or bankruptcy.

(4) Inventories

A summary of the Company's inventories at September 30, 2008 and 2007 is shown below:

	2008	2007
Unharvested fruit crop on trees	$ 14,322	$ 12,982
Unharvested sugarcane	5,978	5,410
Beef cattle	5,065	5,757
Plants and vegetables	1,563	1,484
Sod	449	1,476
Other	74	123
Total inventories	$ 27,451	$ 27,232

Alico records its inventory at the lower of cost or net realizable value. During the fiscal year ended September 30, 2008, Alico wrote down cattle inventory by $2.3 million and sod by $1.3 million. During the fiscal year ended August 31, 2007, Alico wrote down its cattle inventory by $11 thousand and sod by $158 thousand. During the fiscal year ended August 31, 2006, Alico wrote down cattle inventory by $35 thousand. There were no writedowns to Sod inventory during the fiscal year ended August 31, 2006.

Hurricane Wilma, a category three hurricane, swept through southwest Florida during the first quarter of fiscal year 2006. The hurricane caused extensive damage to Alico's crops and infrastructure in Collier and Hendry Counties. As a result of the hurricane, Alico recognized casualty losses related to inventoried costs of $3.7 million for the fiscal year ended August 31, 2006.

(5) Property, Buildings and Equipment

A summary of the Company's property, buildings and equipment at September 30, 2008 and 2007 is shown below:

	2008	2007	Estimated Useful Lives
Breeding herd	$ 12,686	$ 13,444	5-7 years
Buildings	9,987	9,971	5-40 years
Citrus trees	32,440	31,466	22-40 years
Sugarcane	5,512	5,508	4-15 years
Equipment and other facilities	38,695	39,880	3-40 years
Total depreciable properties	99,320	100,269	
Less accumulated depreciation	56,017	50,422	
Net depreciable properties	43,303	49,847	
Land and land improvements	82,109	78,699	
Net property, buildings and equipment	$ 125,412	$ 128,546	

Due to decreases in the market prices of Florida real estate, the Company evaluated several of its properties for impairment at September 30, 2008 and August 31, 2007. In conducting its evaluation, the Company reviewed the estimated non- discounted cash flows from each of the properties and obtained independent third party appraisals from a qualified real estate appraiser. Based on this information, the Company determined that a 291 acre property in Polk County, Florida, purchased in October 2005 for $9.2 million, was impaired by approximately $1.9 million at August 31, 2007 and by an additional $1.5 million at September 30, 2008 due to declines in the Florida real estate market. The impairment losses were included as a charge to real estate operating expenses during the fiscal years ended September 30, 2008 and August 31, 2007. Alico's remaining adjusted book basis in the property was $5.8 million at September 30, 2008.

Due to losses in its cattle division and increasing costs to raise cattle for breeding purposes, Alico also evaluated its breeding herd for impairment. Based on available market data and industry practices, Alico determined that its breeding herd was impaired by $260 thousand at September 30, 2008. The impairment charge was taken against the breeding herd and included as a component of cattle cost of sales at September 30, 2008.

(6) Indebtedness

The Company's indebtedness was as follows:

	Revolving line of credit	Term note	Mortgage note payable	All other	Total
September 30, 2008					
Principal balance outstanding	80,740	50,000	6,967	51	137,758
Remaining available credit	44,260	—	—	—	44,260
Effective interest rate	4.25%	6.79%	6.68%	Various	
Scheduled maturity date	Aug 2011	Sep 2018	Mar 2014	Various	
Collateral	Real estate	Real estate	Real estate	Various	
September 30, 2007					
Principal balance outstanding	127,519	—	8,234	131	135,884
Remaining available credit	47,481	—	—	—	47,481
Effective interest rate		—	6.68%	Various	
Scheduled maturity date	Aug 2011	—	Mar 2014	Various	
Collateral	Real estate	—	Real estate	Various	

Alico, Inc. has a Term Note, a Mortgage and a Revolving Line of Credit with Farm Credit of Southwest Florida. All three agreements are cross collateralized by 7,680 acres of real estate in Hendry County used for farm leases, sugarcane and citrus production. The Term Note and Revolving Line of Credit are additionally collateralized by 33,700 acres of real estate in Hendry County used for farm leases and cattle ranching.

The Term Note calls for equal payments of principal and interest of $1.7 million per quarter over a ten year term until maturity. The Mortgage note calls for monthly principal payments of $106 thousand plus accrued interest until maturity.

The Term Note and Revolving Line of Credit contain numerous restrictive covenants including those requiring Alico to maintain a net worth of $110 million, a debt ratio of no greater than 60%, a minimum current ratio of 2:1 and a fixed charge coverage ratio of 1.5:1, and sets limitations on the extension of loans or additional borrowings by Alico or any subsidiary. The covenants also restrict Alico's activities regarding investments, liens, borrowing and leasing.

The Revolving Line of Credit provides $125.0 million which may be used for general corporate purposes including: (i) the normal operating needs of Alico and its operating divisions, (ii) the purchase of capital assets and (iii) the payment of dividends. The Revolving Line of Credit also allows for an annual extension at the lender's option.

Under the Revolving Line of Credit, revolving borrowings require quarterly interest payments at LIBOR plus a variable rate between 0.8% and 1.5% depending on Alico's debt ratio.

An event of default occurs under the Revolving Line of Credit if Alico fails to make the payments required of it or otherwise fails to fulfill the provisions and covenants applicable to it. In the event of default, the Revolving Line of Credit shall bear an increased interest rate of 2% in addition to the then-current rate specified in the Revolving Line of Credit; the lender may alternatively at its option, terminate its revolving credit commitment and require immediate payment of the entire unpaid principal amount of the Revolving Line of Credit, accrued interest and declare all other obligations immediately due and payable. In the opinion of Management, Alico was in compliance with all of the covenants and provisions of its debt agreements at September 30, 2008.

Alico's Chairman of the Board of Directors, John R. Alexander, is also member of the Board of Directors of Alico's primary lender, Farm Credit of Southwest Florida. Mr. Alexander abstains from voting on matters that directly affect Alico.

Maturities of the Company's debt were as follows at September 30, 2008:

Due within 1 year	$ 5,470
Due between 1 and 2 years	5,108
Due between 2 and 3 years	86,114
Due between 3 and 4 years	5,653
Due between 4 and 5 years	5,961
Due beyond five years	29,452
Total	$ 137,758

Interest costs expensed and capitalized were as follows:

	Year Ended Sept. 30, 2008	Month Ended Sept. 30, 2007	Year Ended August 31, 2007	Year Ended August 31, 2006
Interest expense	$ 6,565	$ 820	$ 5,652	$ 3,852
Interest capitalized	36	5	43	77
Total interest cost	$ 6,601	$ 825	$ 5,695	$ 3,929

(7) Stock Based Compensation

On November 3, 1998, Alico adopted the Alico, Inc. Incentive Equity Plan (The Plan) pursuant to which the Board of Directors of Alico may grant options, stock appreciation rights, and/or restricted stock to certain directors and employees. The Plan authorized grants of shares or options to purchase up to 650,000 shares of authorized but unissued common stock. Stock options granted have a strike price and vesting schedules that are at the discretion of the Board of Directors and are determined on the effective date of the grant. The strike price cannot be less than 55% of the market price. No stock options were granted during the fiscal years ended September 30, 2008, August 31, 2007 or August 31, 2006 or during the one month transition period ended September 30, 2007. The 1998 plan expired on November 3, 2008.

Alico measures the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The cost is recognized over the period during which an employee is required to provide service in exchange for the award (usually the vesting period). The grant date fair value of employee share options and similar instruments are estimated using option-pricing models adjusted for the unique characteristics of those instruments (unless observable market prices for the same or similar instruments are available). If an equity award is modified after the grant date, incremental compensation cost will be recognized in an amount equal to the excess of the fair value of the modified award over the fair value of the original award immediately before the modification.

A summary of option activity under the Plan is as follows:

	Shares Under Option	Weighted average exercise price	Weighted average remaining contractual life (in years)	Aggregate Intrinsic Value
Options outstanding, August 31, 2005	16,371	$ 17.29		
Granted	—	—		
Exercised	7,213	17.08		
Options outstanding, August 31, 2006	9,158	$ 18.05		
Granted	—			
Exercised	1,000	18.55		
Options outstanding, August 31, 2007	8,158	$ 17.66		
Granted	—			
Exercised	—	15.68		
Options outstanding, September 30, 2007	8,158	$ 17.66		
Granted	—			
Exercised	2,000	15.68		
Options outstanding September 30, 2008	6,158	16.87	6	$ 188,188

At September 30, 2008, and September 30, 2007, there were 6,158, and 8,158 stock options, respectively, fully vested and exercisable and 231,600 and 273,815 shares, respectively, available for grant. The 6,158 options outstanding as of September 30, 2008 had a fair value of $188 thousand. There was no unrecognized compensation expense related to outstanding stock option grants at September 30, 2008.

In the fiscal year ended September 30, 2008, 2,000 options were exercised having a total fair value of $59 thousand. In the fiscal year ended August 31, 2007, 1,000 options were exercised having a total fair value of $33 thousand. In the fiscal year ended August 31, 2006, 7,213 options were exercised having a total fair value of $259 thousand. No options were exercised during the one month transition period ended September 30, 2007.

In the fiscal year ended August 31, 2006, Alico began granting restricted shares to certain key employees as long term incentives. The restricted shares vest in equal annual installments. The payment of each installment is subject to continued employment with Alico. In fiscal years ended September 30, 2008, August 31, 2007 and August 31, 2006, 12,000, 4,000 and 4,000 restricted shares, respectively, vested in accordance with these grants. No restricted shares vested during the one month transition period ended September 30, 2007. There were no restricted shares vested in accordance with these grants at September 30, 2008.

The table below summarizes Alico's restricted share awards granted to date:

Grant Date	Shares Granted	Fair Market Value on Date of Grant	Compensation Expense Recognized for FYE 9/30/08	Compensation Expense Recognized for month of Sept. 07	Compensation Expense Recognized for FYE 8/31/07	Weighted Average Grant date Fair value Per share
April 2006	20,000	$ 908	$ (180)	14	172	
July 2006	13,000	694	—	—	(16)	
October 2006	20,000	1,239	453	22	516	
January 2008	25,562	1,040	541	—	—	
September 2008	7,500	331	—	—	—	
Total	86,062	$ 4,212	$ 814	$ 36	$ 672	$ 48.94

The shares granted in April 2006 were forfeited in fiscal year 2008. The shares granted in July 2006 were forfeited in fiscal 2007. Four thousand of the shares granted in October 2006 related to past service and were immediately vested and an additional 4,000 shares vested September 30, 2007, the remaining shares under the October 2006 grant vested June 30, 2008 upon the retirement of the CEO.

A grant of 25,562 restricted shares was made to four senior executives in January 2008 with a fair value of $40.67 per share, in order to replace previous retirement benefits offered. 7,707 of the shares granted in January 2008 related to previously vested retirement benefits and vested immediately. The remaining 17,855 shares granted in January 2008 vest 20% annually in January of each year until fully vested. The shares granted in September 2008 vest 20% in September 2009 and 20% annually thereafter until fully vested. Please refer to the table above for a description of amounts expensed related to these transactions.

Following the guidelines established in FAS 123R, Alico is recognizing compensation cost equal to the fair market value of the stock at the grant dates prorated over the vesting period of each award. The fair value of the unvested restricted stock awards at September 30, 2008 was $1.2 million and will be recognized over a weighted average period of 6 years.

During November 2007, the CEO and COO elected to receive a portion of their annual incentive bonus in Company stock. The CEO chose to receive 4,000 shares at a value of $177 thousand, while the COO chose to receive 500 shares at a value of $22 thousand. These shares do not contain any restrictions, but were issued under the Company's Incentive Equity Plan. Compensation expense for these awards was accrued and recognized during the fourth quarter of the Company's fiscal year ended August 31, 2007.

(8) Income Taxes

The provision for income taxes for the fiscal years ended September 30, 2008, August 31, 2007, and August 31, 2006 along with the one month transition period ended September 30, 2007 is summarized as follows:

	Year Ended Sept. 30, 2008	One Month Ended Sept. 30, 2007	Year Ended August 31, 2007	Year Ended August 31, 2006
Current:				
Federal income tax	$ (355)	$ 16	$ 46,097	$ 2,640
State income tax	763	12	8,507	282
	408	28	54,604	2,922
Deferred:				
Federal income tax	(1,245)	(194)	(18,493)	3,258
State income tax	(487)	25	(2,769)	356
	(1,732)	(169)	(21,262)	3,614
Total provision for income taxes	**$ (1,324)**	**$ (141)**	**$ 33,342**	**$ 6,536**
Provision for continuing operations	(765)	(176)	33,520	7,159
Provision for discontinued operations	(559)	35	(178)	(623)
Total provision for income taxes	**(1,324)**	**(141)**	**33,342**	**6,536**

Following is a reconciliation of the expected income tax expense for continuing operations computed at the U.S. Federal statutory rate of 35% and the actual income tax provision for the fiscal years ended September 30, 2008, August 31, 2007, August 31, 2006 and the one month transition period ended September 30, 2007:

	Year Ended Sept. 30, 2008	One Month Ended Sept. 30, 2007	Year Ended August 31, 2007	Year Ended August 31, 2006
Expected income tax	$ 1,665	$ (359)	$ 7,044	$ 5,313
Increase (decrease) resulting from:				
State income taxes, net of federal benefit	317	28	3,732	407
Nontaxable interest and dividends	(590)	(55)	(708)	(352)
Federal impacts from IRS exam and tax return amendments	(5,409)	—	22,272	2,204
Deferred rate adjustment	—	(10)	397	—
Tax liability adjustments	334	—	—	—
Property, plant & equipment deferreds	1,651	—	—	—
Other permanent items	211	—	—	—
Other reconciling items, net	1,056	220	783	(413)
Total provision for income taxes	$ (765)	$ (176)	$ 33,520	$ 7,159

Some items of revenue and expense included in the statement of operations may not be currently taxable or deductible on the income tax returns. Therefore, income tax assets and liabilities are divided into a current portion, which is the amount attributable to the current year's tax return, and a deferred portion, which is the amount attributable to another year's tax return. The revenue and expense items not currently taxable or deductible are called temporary differences.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of September 30, 2008 and 2007 are presented below:

	2008	2007
Deferred Tax Assets:		
Contribution carry forward	$ 1,024	$ 917
Deferred retirement benefits	1,748	2,027
Federal benefit of state tax reserve	—	2,229
Inventories	798	—
Stock options appreciation	134	243
Property and Equipment	3,614	2,095
Net operating losses	420	—
Interest on taxes accrued for State amended returns	—	1,437
Other	1,378	1,220
Total gross deferred tax assets	$ 9,116	$ 10,168
Deferred Tax Liabilities:		
Revenue recognized from citrus and sugarcane	$ 319	$ 1,525
Patronage Dividends	492	324
Inventories	—	452
Other	742	1,998
Total gross deferred tax liabilities	$ 1,553	$ 4,299
Net deferred income tax asset	$ 7,563	$ 5,869

Based on Alico's history of taxable earnings and its expectations for the future, Management has determined that its taxable income will more likely than not be sufficient to fully recognize all deferred tax assets.

In June 2008, the Internal Revenue Service (IRS) issued a final Settlement Agreement regarding audits of Alico for the tax years 2000 through 2004. Pursuant to the agreement, the Company and the IRS agreed to final taxes resulting from the audits of $41.1 million, penalties of $4.1 million and interest of $20.0 million. The Company had previously paid and accrued taxes of $42.2 million, penalties of $4.2 million and interest of $19.8 million related to an anticipated settlement in the fourth quarter of fiscal year 2007. The Company has established a receivable account of $1.0 million for the overpayments. The differences between the final settlement amount (including taxes, penalties and interest) and the previously estimated settlement have resulted in a reduction in income tax expense for the fiscal year ended September 30, 2008.

The reductions to the previous tax liability estimate resulted from the allowance of expenses by IRS Appeals that were previously not allowed by IRS Exams. As a result of the settlement, the Company has filed amended tax returns for tax years 2005 through 2007. The Company paid additional State income taxes pursuant to the final settlement of $6.2 million along with $4.3 million of related interest during the fiscal year ended September 30, 2008.

The final Settlement Agreement concluded that Alico must recognize unreported gains resulting from the transfer of real property to a foreign subsidiary (Agri). The real estate was originally transferred and reported at its historical cost basis. Additionally, Alico must recognize Subpart F income related to Agri's earnings. Alico had not previously recognized income related to the transactions referenced above based on reliance on an IRS determination letter stating that Agri was a captive insurer, exempt from taxes provided certain procedural requirements were followed. The Company believed that it had followed such requirements, while the IRS ruled otherwise.

As a result of the taxation of real property contributions, the Company is allowed to increase its basis in those properties to their taxed values, creating deferred tax assets. The deferred tax assets will be ultimately realized when the Company sells the parcels and pays the associated taxes resulting from the sale.

The impact of the IRS tax settlement was a combined federal and state net benefit of $1.6 million for the fiscal year ended September 30, 2008, additional tax expense of $25.6 million for the fiscal year ended August 31, 2007 and additional tax expense of $2.2 million for the fiscal year ended August 31, 2006.

The Company adopted the provisions of Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109" ("Interpretation No. 48"), on October 1, 2007. Among other things, FIN 48 requires application of a "more likely than not" threshold to the recognition and non-recognition of tax positions. It further requires that a change in judgment related to prior years' tax positions be recognized in the quarter of such change.

At October 1, 2007, the Company had $441 thousand of potential tax exposure related to uncertain tax positions, which was recorded as a one time adjustment to retained earnings. All of this amount would, if recognized, impact the effective tax rate. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense and records the interest and penalties in the liability for uncertain tax positions. Interest and penalties accrued as of the date of adoption were approximately $57 thousand. The amended tax returns filed for fiscal years ended 2005 — 2007 reversed the previous uncertain tax positions taken and effectively eliminated the uncertain tax position liability.

The statute of limitations for the Company's 2000 — 2004 tax returns has been extended to December 31, 2008. Additionally, the tax years ended August 31, 2005, August 31, 2006, August 31, 2007 and September 30, 2007 remain open to examination by the major taxing jurisdictions to which the Company is subject. The state income tax returns have not been audited and are subject to audit for the same tax periods open for federal tax purposes.

The IRS has notified Alico that it will be auditing the amended tax returns for the fiscal years ended August 31, 2007, 2006 and 2005. Alico has extended the statute of limitations on the originally filed 2005 tax return to June 30, 2010 per a request by IRS exams. The audits are expected to commence in January 2009.

(9) Related Party Transactions

Ben Hill Griffin, Inc.

Citrus revenues of $2.0 million, $14.7 million and $17.2 million were recognized for a portion of citrus crops sold under a marketing agreement with Ben Hill Griffin, Inc. (Griffin) for the years ended September 30, 2008, August 31, 2007, and August 31, 2006, respectively. For the one month transition period ended September 30, 2007, Alico recognized $53 thousand of citrus revenue from Griffin. Griffin and its subsidiaries are controlled by Ben Hill Griffin, III, the brother-in-law of John R. Alexander, Alico's Chairman and former Chief Executive Officer, and was the owner of approximately 49.85 percent of Alico's common stock until February 26, 2004. Accounts receivable, resulting from citrus sales, include amounts due from Griffin totaling $153 thousand and $3.7 million at September 30, 2008 and September 30, 2007, respectively. These amounts represent estimated revenues to be received periodically under pooling agreements as sale of pooled products is completed.

Harvesting, marketing, and processing costs, for fruit sold through Griffin, totaled $623 thousand, $2.7 million, and $5.5 million for the fiscal years ended September 30, 2008, August 31, 2007, and August 31, 2006, respectively. Griffin did not provide any harvesting, marketing or processing services to Alico during the one month transition period ended September 30, 2007. The accompanying consolidated balance sheets include accounts payable to Griffin for citrus production, harvesting and processing costs totaling $28 thousand and $24 thousand at September 30, 2008 and September 30, 2007, respectively.

Alico purchased 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 $2.3 million, $2.0 million, and $3.3 million during the fiscal years ended September 30, 2008, August 31, 2007 and August 31, 2006, respectively. Such purchases totaled $22 thousand during the one month transition period ended September 30, 2007.

AtlanticBlue Group, Inc.

During the fiscal year ended August 31, 2006, AtlanticBlue (formerly Atlantic Blue Trust, Inc.) increased its holdings to approximately 51% of Alico's common stock. By virtue of their ownership percentage, AtlanticBlue is able to elect all the directors and, consequently, to control Alico. AtlanticBlue has issued a letter dated September 29, 2006 reaffirming its commitment to maintaining a majority of independent directors on Alico's board. John R. Alexander, a major shareholder in AtlanticBlue, served as Alico's Chief Executive Officer from February 2005 through June 2008.

John R. Alexander continues to serve on the Company's Board of Directors as Chairman. Mr. Alexander's son, JD Alexander, serves as President and Chief Executive Officer of AtlanticBlue and serves on Alico's Board of Directors. Robert E. Lee Caswell, Mr. Alexander's son-in-law also serves on the Alico Board of Directors, as does Robert J. Viguet, Jr., who is also a Director of AtlanticBlue (the "Affiliated Directors").

The transactions listed below have all been approved by Alico's Board of Directors and a majority of the Unaffiliated Directors.

As Directors of Alico, the Affiliated Directors receive compensation for their services and reimbursement of travel expenses in accordance with the general policies of the Company the same as Unaffiliated directors. Director compensation policies are disclosed in Alico's annual proxy.

Bowen Brothers is currently marketing citrus fruit from Tri County Groves, a wholly owned subsidiary of AtlanticBlue. During the fiscal year ended September 30, 2008, Bowen marketed 310,000 boxes of fruit at a gross value of $2.9 million.

John R. Alexander serves on the Board of Farm Credit of Southwest Florida, ACA, the Company's primary lender.

On January 18, 2008 the Company's Board of Directors approved an unaccountable expense allowance of $5,000 per month to Scenic Highlands Enterprises LLC. The Company's former Chief Executive Officer and current Chairman of the Board, John R. Alexander, serves as the owner and Chief Executive Officer of Scenic Highlands Enterprises. Per the Board's Action by Written Consent, payments are to be used for office space, an administrative assistant's salary, and utilities. Alico paid $30 thousand during the fiscal year ended September 30, 2008 pursuant to this agreement. Alico is also providing computer and telephone support services to Scenic Highlands Enterprises at no charge.

Effective June 30, 2008 the Board approved a transition, consulting, severance and non-compete agreement with John R. Alexander providing for total payments of $600,000 over a three year period. Alico paid $62 thousand to Mr. Alexander during the fiscal year ended September 30, 2008 pursuant to this agreement.

On August 1, 2008 the Board approved a consulting contract with AtlanticBlue which provides for Lisa Jensen, Chief Operating Officer of AtlanticBlue, to provide real estate consulting services to Alico's subsidiary Alico Land Development in the area of public and government relations in Polk County. The agreement expires March 31, 2009, unless otherwise extended by the parties in writing. AtlanticBlue will receive a fee of $250 per hour for their services under the agreement, but in no event will total compensation exceed $150 thousand under the agreement. The agreement also allows for the reimbursement of reasonable and necessary expenses provided that AtlanticBlue provides sufficient documentation of such. No payments were made to AtlanticBlue under this agreement during the fiscal year ended September 30, 2008.

Other

Alico, Inc. received notification and legal advice from Kristin Gunter, a partner in McFarlane, Ferguson and McMullen, P.A., and wife of Dan Gunter, former President and Chief Executive Officer of Alico, regarding the Company's eligibility and application for federal Byrd amendment funds. These funds are "dumping" penalties collected on citrus products. Ms. Gunter was uniquely qualified to provide legal guidance on this matter and assisted a number of different companies with their applications. Ms. Gunter received a fee for her legal services of $10,000.

Mr. Charles Palmer, a Board Member, and Mr. Steve Smith, the Company's Principal Executive Officer held recreational leases with the Company during the fiscal year ended September 30, 2008 at the customary terms and rates the Company extends to third parties.

(10) Reportable Segment Information

Alico has six reportable segments: Bowen, Citrus Groves, Sugarcane, Cattle, Real Estate and Leasing. Alico's operations are located in Florida. Alico accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current market prices.

Bowen's operations include harvesting, hauling and marketing citrus for both Alico and other outside growers in the state of Florida. Bowen's operations also include the purchase and resale of citrus fruit. Alico's Citrus Grove operations consist of cultivating citrus trees in order to produce citrus for delivery to the fresh and processed citrus markets in the state of Florida. Alico's sugarcane operations consist of cultivating sugarcane for sale to a sugar processor. Alico's cattle operation is engaged primarily in the production of beef cattle, feeding cattle at western feedlots and the raising of replacement heifers.

The goods and services produced by these segments are sold to wholesalers and processors in the United States who prepare the products for consumption.

Alico's real estate segment, Alico Land Development, Inc. is engaged in the planning and strategic positioning of all Company owned land. These actions include seeking entitlement of Alico's land assets in order to preserve rights should Alico choose to develop property in the future. The real estate segment is also responsible for negotiating and renegotiating sales and options contracts. Alico's leasing segment rents land to others on a tenant-at-will basis, for grazing, farming, oil exploration and recreational uses.

Although the Vegetable and Sod segments do not meet the quantitative thresholds to be considered as reportable segments, information about these segments may be useful and has been included in the schedules below. For a description of the business activities of the Vegetable and Sod segments please refer to Item 1 of this report.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Alico evaluates performance based on direct margins from operations before general and administrative costs, interest expense and income taxes not including nonrecurring gains and losses. Alico's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different knowledge, skills and marketing strategies.

Information concerning the various segments of Alico for the fiscal years ended September 30, 2008, August 31, 2007 and August 31, 2006 and the one month transition period ended September 30, 2007 is summarized as follows:

	Year ended Sept. 30, 2008	One month Sept. 30, 2007 (1)	Fiscal year ended August 31, 2007	Fiscal year ended August 31, 2006
Revenues (from external customers except as noted)				
Bowen	$ 45,499	$ 143	$ 52,716	$ 30,869
Intersegment fruit sales through Bowen	9,816	—	5,383	1,723
Citrus groves	41,167	5	47,484	22,188
Sugarcane	9,671	—	9,432	8,926
Cattle	6,793	330	9,977	5,700
Real Estate	3,870	—	3,329	113
Land leasing and rentals	2,276	141	1,495	1,369
Vegetables	5,460	—	3,803	2,389
Sod	1,118	92	2,180	1,528
Revenue from segments	125,670	711	135,799	74,805
Other operations	528	47	1,589	1,082
Less: intersegment revenues eliminated	(9,816)	—	(5,383)	(1,723)
Total operating revenue	$ 116,382	$ 758	$ 132,005	$ 74,164
Operating expenses				
Bowen	$ 44,029	$ 222	$ 51,786	$ 31,137
Intersegment fruit sold through Bowen	9,816	—	5,383	1,723
Citrus groves	27,637	3	23,427	14,574
Sugarcane	9,250	—	8,833	8,566
Cattle	8,920	289	9,722	4,914
Real Estate	3,529	59	3,408	61
Land leasing and rentals	608	36	393	452
Vegetables	5,601	—	3,307	1,404
Sod	2,653	208	1,318	840
Segment operating expenses	112,043	817	107,577	63,671
Other operations	98	10	126	—
Less: intersegment expenses eliminated	(9,816)	—	(5,383)	(1,723)
Net casualty loss (recovery)	—	—	—	(4,036)
Total operating expenses	$ 102,325	$ 827	$ 102,320	$ 57,912
Gross profit (loss):				
Bowen	$ 1,470	$ (79)	$ 930	$ (268)
Citrus groves	13,530	2	24,057	7,614
Sugarcane	421	—	599	360
Cattle	(2,127)	41	255	786
Real Estate	341	(59)	(79)	52
Land leasing and rentals	1,668	105	1,102	917
Vegetables	(141)	—	496	985
Sod	(1,535)	(116)	862	688
Gross profit (loss) from segments	13,627	(106)	28,222	11,134
Other	430	37	1,463	5,118
Gross profit (loss)	$ 14,057	$ (69)	$ 29,685	$ 16,252

(1) Alico changed its fiscal year end from August 31 to September 30. The year ended September 30, 2008 was the first full year on the new fiscal year. Results for September 30, 2007 are for the one month transition period.

	Year ended Sept. 30, 2008	One month Sept. 30, 2007 (1)	Fiscal year ended August 31, 2007	Fiscal year ended August 31, 2006
Capital expenditures:				
Bowen	$ 38	$ —	$ 554	$ 1,536
Citrus Groves	1,899	9	1,231	9,929
Sugarcane	63	—	1,288	3,065
Cattle	1,588	60	1,893	3,490
Leasing	449	—	459	—
Vegetables	432	92	473	325
Sod	116	27	908	1,103
Segment capital expenditures	4,585	188	6,806	19,448
Other capital expenditures	1,545	105	2,332	13,724
Total consolidated capital expenditures	$ 6,130	$ 293	$ 9,138	$ 33,172
Depreciation, depletion and amortization:				
Bowen	$ 335	$ 21	$ 344	$ 913
Citrus Groves	2,215	188	2,381	2,540
Sugarcane	1,709	171	2,083	1,918
Cattle	1,810	134	1,887	1,817
Leasing	90	7	67	25
Vegetables	146	12	68	17
Sod	281	18	220	143
Total segment depreciation and amortization	6,586	551	7,050	7,373
Other depreciation, depletion and amortization	1,731	156	1,720	1,217
Total depreciation, depletion and amortizations	$ 8,317	$ 707	$ 8,770	$ 8,590
Total Assets:				
Bowen	$ 2,581	$ 2,891		
Citrus groves	49,201	53,339		
Sugarcane	43,525	45,128		
Cattle	18,343	20,837		
Leasing	2,370	2,012		
Vegetables	4,213	3,238		
Sod	3,906	5,400		
Segment assets	124,139	132,845		
Other Corporate assets	149,793	152,504		
Total assets	**$ 273,932**	**$ 285,349**		

(1) Alico changed its fiscal year end from August 31 to September 30. The year ended September 30, 2008 was the first full year on the new fiscal year. Capital expenditures and depreciation for September 30, 2007 are for the one month transition period.

(11) Casualty (Recoveries) Losses

Hurricane Wilma caused extensive damage to Alico's crops and infrastructure in Collier and Hendry Counties during the fiscal year ended August 31, 2006. Also, canker was confirmed in several groves in 2006 and 2005. During the fiscal year ended August 31, 2006, Alico recorded damages to crop inventories of $3.7 million, and property and equipment damages of $1.4 million. Alico received insurance payments related to these damages of $8.7 million and recognized a net casualty recovery of $3.6 million in the fiscal year ended August 31, 2006.

(12) Treasury Stock

The Company's Board of Directors has authorized the repurchase of up to 131,000 shares of the Company's common stock through August 31, 2010, for the purpose of funding restricted stock grants under its 1998 Incentive Equity Plan in order to provide restricted stock to eligible Directors and Senior Managers and align their interests with those of the Company's shareholders.

The stock repurchases began in November 2005 and will be made on a quarterly basis until August 31, 2010 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.

The following table provides information relating to purchases of Alico's common shares by Alico on the open market pursuant to the Director Compensation Plan approved by Alico's shareholders on June 10, 2005 for the fiscal years ended September 30, 2008 and August 31, 2007 and the one month transition period ended September 30, 2007:

Fiscal period ended	Total number of shares purchased	Average price paid per share	Total shares purchased as part of publicly announced plans or programs	Total dollar value of shares purchased
September 30, 2008	27,968	$ 42.76	71,738	$ 1,195,818
September 30, 2007	—	$ —	43,770	$ —
August 31, 2007	27,770	$ 53.45	43,770	$ 1,484,291
August 31, 2006	16,000	$ 47.70	16,000	$ 763,247

(13) Off Balance Sheet Arrangements

Alico through its wholly owned subsidiary Bowen enters into purchase contracts for the purchase of citrus products during the normal course of its business. Typically, these purchases are covered by sales contracts. The purchase obligations under these purchase agreements totaled $10.9 million at September 30, 2008. All of these purchases were covered by sales agreements at prices exceeding cost. In addition, Bowen had forward sales contracts totaling $1.8 million at September 30, 2008 for which a purchaser had not been contracted. Bowen management currently believes that all committed sales quantities can be purchased below the committed sales price. All of these contracts will be fulfilled by the end of the fiscal year ending September 30, 2009.

Effective June 30, 2008, the Company discontinued its participation in Alico-J&J, LLC a joint venture vegetable farm. The parties to the joint venture each held a 50% interest in the earnings, assets and liabilities of the farm. The Company is currently working to dissolve the joint venture and distribute the assets equitably among the members. (Losses) profits attributable to the joint venture of ($0.7 million) and $57 thousand have been included with the results of the vegetable division for the fiscal years ended September 30, 2008 and August 31, 2007, respectively . The Company has accounted for the joint venture under the equity method. Under the terms of the joint venture, Alico served as a guarantor for five-year equipment leases to the joint venture. The Company’s maximum total remaining unpaid obligations under these leases was $0.5 million at September 30, 2008. The Company expects that the lease obligations will be transferred solely to J&J Farms.

(14) Discontinued Operations

Effective June 30, 2008, the Company ceased operating its Alico Plant World facility. Alico Plant World generated revenues of $2.6 million, $2.8 million and $3.3 million for the fiscal years ended September 30, 2008, August 31, 2007 and August 31, 2006, respectively and $0.4 million for the one month transition period ended September 30, 2007. Alico Plant World generated losses of $0.9 million, $0.2 million and $1.3 million (net of taxes of $559 thousand, $268 thousand, and $623 thousand) or $0.12, $0.03 and $0.18 per share for the fiscal years ended September 30, 2008, August 31, 2007 and August 31, 2006, respectively. Alico Plant World generated a profit of $169 thousand (net of income taxes of $35 thousand) or $0.02 per share during the one month transition period ended September 30, 2007. Total assets of $1.7 million and $1.6 million related to discontinued operations were included in the balance sheet at September 30, 2008 and September 30, 2007, respectively. The Company is currently leasing the Alico Plant World facilities to a commercial greenhouse operator and has also sold a portion of the equipment used to operate the greenhouse. The results of Alico Plant World’s operations have been reported as discontinued operations.

(15) Revision of Prior Period Amounts

During the fourth quarter of the fiscal year ended September 30, 2008, the Company discovered an error related to prior year defined benefit pension accruals of $653 thousand. During the second quarter, the Company discovered an error in its accrual of Cooperative retains related to prior periods totaling $916 thousand. Neither error had an impact on the previously reported cash flows from operating, financing or investing activities, and both were considered immaterial to the Company's previously reported results of operations for the fiscal years ended August 31, 2007 and August 31, 2006. The cumulative effect of the adjustment on beginning retained earnings for the year ended August 31, 2006 was $475 thousand. However, since the cumulative combined impact of these errors would be material to the results of operations for the fiscal year ended September 30, 2008, the Company applied the guidance of Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements ("SAB 108"). This guidance requires that the prior period financial statements be corrected, even though the revision was immaterial to the prior period financial statements. Correcting prior year financial statements for immaterial items does not require previously filed reports to be amended. Such corrections are made each time the registrant subsequently reports the prior year financial statements.

Based on SAB 108, the prior period income statement amounts have been corrected to include the following adjustments (in thousands):

	Fiscal year ended					
	August 31, 2007			August 31, 2006		
	Previously reported	Adjustment	Revised	Previously reported	Adjustment	Revised
Corporate general and administrative	$ 12,887	$ (160)	$ 12,727	$ 11,212	$ (311)	$ 10,901
Profit (loss) from continuing operations	16,798	160	16,958	5,040	311	5,351
Interest expense	5,742	(90)	5,652	4,066	(214)	3,852
Total other income (expense) net	3,077	90	3,167	9,615	214	9,829
Income (loss) from continuing operations before income taxes	19,875	250	20,125	14,655	525	15,180
Provision (benefit) for income taxes	33,424	96	33,520	6,956	203	7,159
Income (loss) from continuing operations	(13,549)	154	(13,395)	7,699	322	8,021
Net income (loss)	$ (13,844)	$ 154	$ (13,690)	$ 6,469	$ 322	$ 6,791
Earnings per share data:						
Basic earnings (loss) per share from continuing operations	$ (1.84)	$ 0.02	$ (1.82)	$ 1.05	$ 0.04	$ 1.09
Diluted earnings (loss) per share from continuing operations	$ (1.84)	$ 0.02	$ (1.82)	$ 1.05	$ 0.04	$ 1.09
Basic earnings (loss) per share	$ (1.88)	$ 0.02	$ (1.86)	$ 0.88	$ 0.04	$ 0.92
Diluted earnings (loss) per share	(1.88)	0.02	(1.86)	$ 0.88	$ 0.04	$ 0.92

Balance sheets were corrected as follows (in thousands):

	September 30, 2007		
	Previously reported	Adjustment	Revised
Accounts receivable	$ 14,848	$ 278	$ 15,126
Current assets	135,098	278	135,376
Investments and deposits	3,237	638	3,875
Deferred income taxes	3,805	(597)	3,208
Total other assets	21,386	41	21,427
Total Assets	285,030	319	285,349
Deferred retirement benefits	5,098	(632)	4,466
Total liabilities	169,035	(632)	168,403
Retained earnings	99,262	951	100,213
Total Equity	$ 115,995	$ 951	$ 116,946

The statement of cash flows has been corrected to include the following adjustments (in thousands):

	Fiscal year ended					
	August 31, 2007			August 31, 2006		
	Previously reported	Adjustment	Revised	Previously reported	Adjustment	Revised
Net income (loss)	(13,844)	154	(13,690)	6,469	322	6,791
Deferred income taxes	(21,351)	96	(21,255)	680	203	883
Deferred retirement benefits	(1,026)	(160)	(1,186)	556	(311)	245
Accounts receivable	(7,059)	(90)	(7,149)	2,537	(214)	2,323

The statement of stockholder equity was revised as follows (in thousands):

Retained earnings	**9/30/07**	**8/31/07**	**8/31/06**	**8/31/05**
Beginning balance, originally stated	102,402	124,352	125,439	128,560
Original net income	(680)	(13,844)	6,469	6,090
Dividends	(2,024)	(8,106)	(7,556)	(9,211)
Ending balance, originally stated	99,698	102,402	124,352	125,439
Cumulative adjustment	—	—	—	475
Restated beginning balance	103,353	125,149	125,914	125,914
Restated net income	(680)	(13,690)	6,791	—
FIN 48	(436)	—	—	—
Dividends	(2,024)	(8,106)	(7,556)	—
Ending balance, restated	100,213	103,353	125,149	125,914

(16) New Accounting Pronouncements

In June 2008, the FASB issued staff position (FSP) EITF 3-6-1, “Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities”. This statement is effective for fiscal year 2009. This FASB Staff Position (FSP) addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share (EPS) under the two-class method described in paragraphs 60 and 61 of FASB Statement No. 128, Earnings per Share. Under FSP 3-6-1, the FASB clarified that instruments granted in share-based payment transactions can be participating securities prior to the requisite service having been rendered. The Company does not expect the adoption of EITF 3-6-1 to have a material impact on its financial statements.

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements”. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements. Alico is required to adopt SFAS No. 157 effective at the beginning of fiscal year 2009. The Company does not expect the adoption of SFAS 157 to have a material impact on its financial statements.

(17) Subsequent events

At a Board of Directors meeting held on October 31, 2008, the Board declared a quarterly dividend of $0.275 per share payable to stockholders of record as of January 30, 2009, with payment expected on or about February 15, 2009.

In November 2008, Alico finalized the renegotiation of a sales contract and mortgage related to a parcel of land in Lee County, Florida that closed in July 2005. The East contract was originally entered into in July 2005 and relates to the sale of approximately 4,538 acres in Lee County Florida. Under the terms of the restructure, principal payments were extended as follows (thousands):

Due Date	*Due before restructure*	*Due after restructure*
9/28/8	$ 3,980	$ 1,787
9/28/9	12,000	1,000
9/28/10	12,000	1,000
9/28/11	26,128	4,000
9/28/12	-0-	8,000
9/28/13	-0-	12,000
9/28/14	$ -0-	$ 26,321

Interest will continue to accrue on the unpaid balance of the note and be paid in quarterly installments. The note will bear interest at HSH LIBOR plus 150 basis points from October 1, 2008 to September 28, 2009, HSH LIBOR plus 200 basis points from October 1, 2009 to September 28, 2010 and HSH LIBOR plus 250 basis points thereafter until the note is paid in full. Ginn will forfeit release credits it has accumulated on the property in the event of default, foreclosure or bankruptcy.

Ginn did not exercise its option on a second contract (“West”). In connection with this action, Ginn has agreed to provide a deed in lieu of foreclosure on a third contract (“Crockett”) and give up any rights it may have had to the West property. Alico will thus take possession of the West and Crockett parcels free of any claims by Ginn.

(18) Transition Period Financial Information:

On September 28, 2007, the Company's fiscal year end was changed from August 31 to September 30. Accordingly, the Company is presenting information for the one month transition period ended September 30, 2007. The following table provides certain comparative financial information of the same period of the prior year.

(In thousands, except per share data)	One Month Ended September 30, 2007 (Audited)	One Month Ended September 30, 2006 (Unaudited)
Statement of operations data:		
Operating revenue	$ 758	$ 1,682
Operating and general and administrative expenses	1,642	2,499
Earnings (loss) from operations	(884)	(817)
Other earnings (loss)	28	101
Income taxes (benefit)	(176)	(341)
Net earnings (loss)	$ (680)	$ (375)
Earnings (loss) per share:		
Basic	$ (0.09)	$ (0.05)
Diluted	$ (0.09)	$ (0.05)

	September 30, 2007 (Audited)	September 30, 2006 (Unaudited)
Balance sheet data:		
Current assets	$ 135,376	$ 110,183
Total assets	285,349	262,587
Current liabilities	25,138	16,950
Other liabilities	143,265	104,014
Stockholders' equity	$ 116,946	$ 141,573

(19) Selected Quarterly Financial Data (unaudited)

Summarized quarterly financial data (in thousands except for per share amounts) for the fiscal years ended September 30, 2008 and 2007 were as follows:

	One month Ended Sep 30,	Quarters Ended							
		December 31,		March 31,		June 30,		September 30,	
	2007	2007	2006	2008	2007	2008	2007	2008	2007
Net sales									
Continuing operations	$ 758	$22,652	$25,779	$48,182	$55,466	$42,147	$ 46,149	$ 3,401	$ 3,953
Discontinued operations	419	902	749	1,093	992	463	617	112	627
Total net sales	**1,177**	**23,554**	**26,528**	**49,275**	**56,458**	**42,610**	**46,766**	**3,513**	**4,580**
Cost of sales									
Continuing operations	827	18,381	20,082	42,027	42,696	35,790	33,491	6,127	5,645
Discontinued operations	190	833	491	1,264	1,093	1,025	859	150	322
Total cost of sales	1,017	19,214	20,573	43,291	43,789	36,815	34,350	6,277	5,967
Gross profits									
Continuing operations	(69)	4,271	5,697	6,155	12,770	6,357	12,658	(2,726)	(1,692)
Discontinued operations	229	69	258	(171)	(101)	(562)	(242)	(38)	305
Total gross profit	**160**	**4,340**	**5,955**	**5,984**	**12,669**	**5,795**	**12,416**	**(2,764)**	**(1,387)**
General & Administrative expense									
Continuing operations	815	2,913	2,985	3,884	3,172	3,568	3,509	1,113	3,041
Discontinued operations	35	88	182	97	233	495	266	17	(90)
Total general & administrative expense	850	3,001	3,167	3,981	3,405	4,063	3,775	1,130	2,951
Other income (expense)									
Continuing operations	(141)	2,899	1,702	628	436	(119)	1,061	(1,149)	(362)
Discontinued operations	10	50	29	17	(5)	(215)	60	98	21
Total other income (expense	(131)	2,949	1,731	645	431	(334)	1,121	(1,051)	(341)
Restatements (see note 15)									154
Income before income taxes									
Continuing operations	(1,025)	4,257	4,414	2,899	10,034	2,670	10,210	(4,988)	(5,095)
Discontinued operations	204	31	105	(251)	(339)	(1,272)	(448)	43	416
Total income before income taxes	(821)	4,288	4,519	2,648	9,695	1,398	9,762	(4,945)	(4,679)
Income tax (expense) benefit									
Continuing operations	(176)	1,486	1,899	1,015	4,321	(3,129)	29,025	(137)	(1,626)
Discontinued operations	35	12	40	95	(129)	(456)	(242)	(210)	158
Total income tax expense (benefit)	(141)	1,498	1,939	1,110	4,192	(3,585)	28,783	(347)	(1,468)
Net income (loss)									
Continuing operations	(849)	2,771	2,515	1,884	5,713	5,799	(18,815)	(4,851)	(3,469)
Discontinued operations	169	19	65	(346)	(210)	(816)	(206)	253	258
Total net income (loss)	**$ (680)**	**$ 2,790**	**$ 2,580**	**$ 1,538**	**$ 5,503**	**$ 4,983**	**$(19,021)**	**$(4,598)**	**$(3,057)**
Basic earnings per share	**$ (0.09)**	**$ 0.38**	**$ 0.35**	**$ 0.21**	**$ 0.75**	**$ 0.68**	**$ (2.58)**	**$ (0.62)**	**$ (0.41)**

Alico discontinued operations of its Plant World subsidiary in June 2008. Plant World's operations were previously reported as a single line, net of tax in the Company's filings on form 10-Q during June and September, but were included as operating items in prior filings. This change should be considered when comparing this table to the Company's previous filings.

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

There were no disagreements with accountants on accounting and financial disclosure matters.

Item 9A. Controls and Procedures.

Attached as exhibits to this Form 10-K are certifications of our Principal Executive Officer and Chief Financial Officer, which are required in accordance with Rule 13a-14 of the Securities Exchange Act. This “Controls and Procedures” section includes information concerning the controls and controls evaluation referred to in the certifications.

Evaluation of Disclosure Controls and Procedures

Alico maintains disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, referenced herein as the Exchange Act. These disclosure controls and procedures are designed to ensure that information required to be disclosed by Alico in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to Company’s management, including its Principal Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Alico carried out, under the supervision and with the participation of Alico’s management, including Alico’s Principal Executive Officer and Alico’s Chief Financial Officer, an evaluation of the effectiveness of the design and operation of Alico’s disclosure controls and procedures performed pursuant to Rule 13a-15 under the Securities Exchange Act of 1934 as amended. Based on their evaluation, Alico’s Principal Executive Officer and its Chief Financial Officer concluded that, as of September 30, 2008, Alico’s disclosure controls and procedures were effective.

Management assessed the effectiveness of Alico’s internal control over financial reporting as of September 30, 2008. In making the assessment, Management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in Internal Control - Integrated Framework. Based on this assessment, the Management of Alico, Inc. concluded that as of September 30, 2008, Alico’s disclosure controls and procedures were effective.

Management’s Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, Alico’s principal executive and principal financial officers and implemented by Alico’s Board of Directors, management and other personnel, 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 and includes those polices and procedures that:

Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of Alico;

Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with Generally Accepted Accounting Principles, and that receipts and expenditures of Alico are being made only in accordance with authorizations of management and directors of Alico; and

Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Alico's assets that could have a material effect on the financial statements.

Based on their evaluations of the internal controls, Alico's Principal Executive Officer and Chief Financial Officer have concluded that as of September 30, 2008, Alico maintained effective internal control over financial reporting.

The effectiveness of internal control over financial reporting as of September 30, 2008 has been audited by McGladrey & Pullen, LLP, an independent registered certified public accounting firm, as stated in their report which is on page 43 of this Form 10-K.

Item 9B. Other Information.

None.

PART III

Items 10 — 14 of Part III are incorporated by reference to Alico's proxy expected to be filed on or before January 20, 2009.

PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a) 1. Financial Statements:

Included in Part II, Item 8 of this Report

Reports of Independent Registered Certified Public Accounting Firms

Consolidated Balance Sheets — September 30, 2008 and September 30, 2007

Consolidated Statements of Operations — For the Years Ended September 30, 2008, August 31, 2007 and August 31, 2006 and for the one month transition period ended September 30, 2007

Consolidated Statements of Stockholders' Equity and Comprehensive Income (loss) — For the Years Ended September 30, 2008, August 31, 2007 and August 31, 2006 and for the one month transition period ended September 30, 2007

Consolidated Statements of Cash Flows — For the Years Ended September 30, 2008, and August 31, 2007, August 31, 2006 and the one month transition period ended September 30, 2007

(b) 2. Financial Statement Schedules:

All schedules not listed above are not submitted because they are not applicable or not required or because the required information is included in the financial statements or notes thereto.

(c) 3. Exhibits:

3(i) Articles of Incorporation:

3(i)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(i)2 Certificate of Amendment to Certificate of Incorporation, Dated January 14, 1974 (incorporated by reference to Alico's Registration Statement on Form S-8, dated December 21, 2005, Registration No. 333-130575)

3(i)3 Amendment to Articles of Incorporation, Dated January 14, 1987 (incorporated by reference to Alico's Registration Statement on Form S-8, dated December 21, 2005, Registration No. 333-130575)

3(i)4 Amendment to Articles of Incorporation, Dated December 27, 1988 (incorporated by reference to Alico's Registration Statement on Form S-8, dated December 21, 2005, Registration No. 333-130575)

3(ii) Bylaws

3(ii)(1) By-Laws of Alico, Inc., amended and restated (incorporated by reference to Alico's filing on Form 8-K dated October 4, 2007)

3(ii) (2) By-Laws of Alico, Inc. amended and restated (incorporated by reference to Alico's filing on Form 8-K dated November 21, 2008)

(10) Material Contracts

(10.1) Citrus Processing and Marketing Agreement with Ben Hill Griffin, Inc., dated November 2, 1983, a Continuing Contract. (incorporated by reference to Alico's filing on Form 10-K dated November 28, 2006)

(10.2) Cash Purchase Orange Agreement with Tropicana (incorporated by reference to the Company's filing on Form 10-K dated November 14, 2007)

(10.3) Fruit Purchase Agreement with Southern Gardens Citrus Processing Corporation (incorporated by reference to the Company's filing on Form 10-K dated November 14, 2007)

(10.4) Real Estate Sale Agreement with Ginn Development Corporation (incorporated by reference to Alico's filing on Form 10Q/A dated January 6, 2005)

(10.5) First Amendment to Real Estate Sales Agreement with Ginn Development Corporation (incorporated by reference to Alico's filing on Form 8-K dated December 27, 2006)

(10.6) Amended Real Estate Sales Agreement with Ginn Development Corporation dated November 11, 2008

(10.7) Second Amendment and restate Renewal Promissory Note (incorporated by reference to Alico's filing on Form 8-K dated October 25, 2007)

(10.8) Second Amendment to Mortgage Deed (incorporated by reference to Alico's filing on Form 8-K dated October 25, 2007)

(10.9) Revolving Line of Credit Agreement (incorporated by reference to Alico's filing on Form 8-K dated October 17, 2005)

(10.10) Amendment to Line of Credit Agreement (incorporated by reference to Alico's filing on Form 8-K dated June 1, 2006)

(10.11) Amendment to Line of Credit Agreement (incorporated by reference to Alico's filing on Form 10-K dated November 14, 2007)

(10.12) Term note with Farm Credit (incorporated by reference to Alico's filing on Form 8-K dated September 8, 2008)

(10.13) Fourth Amendment to Amended and Restated Loan Agreement (incorporated by reference to Alico's filing on Form 8-K dated September 8, 2008)

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(10.15) Transition, Severence, Non-Compete and Consulting Agreement with John R. Alexander (incorporated by reference to Alico's filing on Form 8-K dated June 30, 2008)

(10.16) Transition, Severence, Non-Compete and Consulting Agreement with Dan L. Gunter (incorporated by reference to Alico's filing on Form 8-K dated November 21, 2008)

(14.1) Code of Ethics amended October 31, 2008

(14.2) Whistleblower Policy amended October 31, 2008

(21) Subsidiaries of the Registrant — Alico Land Development Company, Inc. (formerly Saddlebag Lake Resorts, Inc. (a Florida corporation incorporated in 1971));Agri-Insurance Company, Ltd. (a company formed under the laws of the country of Bermuda incorporated in 2000), Alico-Agri, Ltd (a Florida limited partnership formed in 2003), Alico Plant World, LLC (a Florida limited liability company organized in 2004), Bowen Brothers Fruit, LLC (a Florida limited liability company organized in 2005)) (incorporated by reference to Alico's filing on Form 10-K dated November 28, 2006)

(31.1) Rule 13a-14(a) certification

(31.2) Rule 13a-14(a) certification

(32.1) Section 1350 certifications

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ALICO, INC.
(Registrant)

December 15 , 2008 Date	/s/ Steven M. Smith Steven M. Smith President & Principal Executive Officer
December 15 , 2008 Date	/s/ Patrick W. Murphy Patrick W. Murphy Senior Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated:

/s/ John R. Alexander	/s/ JD Alexander
John R. Alexander Chairman	JD Alexander Director
/s/ Robert E. Lee Caswell	/s/ Evelyn D'An
Robert E. Lee Caswell Director	Evelyn D'An Director
/s/ Phillip S. Dingle	/s/ Gregory T. Mutz
Phillip S. Dingle Director	Gregory T. Mutz Director
/s/ Charles L. Palmer	/s/ Robert J. Viguet, Jr.
Charles L. Palmer Director	Robert J. Viguet, Jr. Director
/s/ Gordon Walker	
Gordon Walker Director	

December 15, 2008
Date

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(14.1)	Code of Ethics amended October 31, 2008
(14.2)	Whistleblower Policy amended October 31, 2008
(21)	Subsidiaries of the Registrant — Alico Land Development Company, Inc. (formerly Saddlebag Lake Resorts, Inc. (a Florida corporation incorporated in 1971));Agri-Insurance Company, Ltd. (a company formed under the laws of the country of Bermuda incorporated in 2000), Alico-Agri, Ltd (a Florida limited partnership formed in 2003), Alico Plant World, LLC (a Florida limited liability company organized in 2004), Bowen Brothers Fruit, LLC (a Florida limited liability company organized in 2005)) (incorporated by reference to Alico’s filing on Form 10-K dated November 28, 2006)
(31.1)	Rule 13a-14(a) certification
(31.2)	Rule 13a-14(a) certification
(32.1)	Section 1350 certifications

This instrument prepared by
And return to:

John L. Farquhar
Ruden McClosky
200 East Broward Boulevard, P.O. Box 1900
Fort Lauderdale, Florida 33302

Cross Reference:
OR Book 4795, Page 2848
Instrument No. 2006000400690
Instrument No. 2006000474156
Instrument No. 2007000319331
Instrument No. 2008000000470
Lee County, Florida Records

NOTE TO CLERK: No documentary stamp taxes or intangibles taxes are due upon the recording of this Amended and Restated Mortgage Deed.

AMENDED AND RESTATED MORTGAGE DEED

THIS AMENDED AND RESTATED MORTGAGE DEED (the "Mortgage"), dated as of September 28, 2008, by and between GINN-LA NAPLES LTD., LLLP, a Georgia limited liability limited partnership, whose permanent post office mailing address is 215 Celebration Place, Suite 200, Celebration, Florida 34747, facsimile no. 321.939.4800 (hereinafter called "Mortgagor"), and ALICO-AGRI, LTD., a Florida limited partnership, whose address is 640 S. Main Street, Labelle, Florida 33935 (hereinafter called "Mortgagee").

W I T N E S S E T H:

WHEREAS, Mortgagor is indebted to Mortgagee pursuant to that certain Third Amended and Restated Renewal Promissory Note dated of even date herewith in the original principal amount of $54,107,668.20, which amended and restated that certain Second Amended and Restated Renewal Promissory Note dated September 28, 2007 (the "Second Amended Note") made by Mortgagor in favor of Mortgagee, which amended and restated that certain Amended and Restated Renewal Promissory Note dated July 12, 2005 (the "Amended Note"), made by Mortgagor in favor of Mortgagee, which amended and restated that certain Promissory Note dated July 12, 2005 ("Original Note") made by Mortgagor in favor of First American Exchange Company, LLC, a Delaware limited liability company, in the original principal amount of $56,610,000.00, as assigned by First American Exchange Company, LLC, to Mortgagee pursuant to that certain Assignment of Mortgage and Note dated October 9, 2006, recorded on October 19, 2006, at instrument no. 2006000400690 in the public records of Lee County, Florida (collectively the "Note"), the terms of which are incorporated in and made a part of this Mortgage and which provide that all principal and accrued interest is due and payable on or before the date or dates described in the Note.

WHEREAS, Mortgagor executed that certain Mortgage Deed in favor of First American Exchange Company, LLC, a Delaware limited liability company ("First American"), dated July 12, 2005, recorded on July 13, 2005 at OR Book 4795, page 2848 in the Public Records of Lee County, Florida, as assigned by First American to Mortgagee pursuant to that certain Assignment of Mortgage and Note dated October 9, 2006, recorded on October 19, 2006 at Instrument No. 2006000400690 in the Public Records of Lee County, Florida, as modified by the First Amendment to Mortgage Deed ("First Amendment") recorded on December 22, 2006, at Instrument No. 2006000474156 in the Public Records of Lee County, Florida, as further modified by the Second Amendment to Mortgage Deed ("Second Amendment") recorded on October 22, 2007, at Instrument No. 2007000319331 in the Public Records of Lee County, Florida as further modified by the Third Amendment to Mortgage Deed dated as of December 27, 2007 and recorded on January 2, 2008 at Instrument No. 2008000000470 in the Public Records of Lee County, Florida (collectively, the "Original Amended Mortgage") with regard to the Mortgaged Property (as defined herein);

WHEREAS, Mortgagor and Mortgagee desire to amend and restate the Original Amended Mortgage in its entirety, as provided herein.

NOW, THEREFORE, for and in consideration of the foregoing premises and the sum of Ten and No/100 Dollars ($10.00) cash in hand paid by each party hereto to the other, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Mortgagor and Mortgagee hereby agree to amend and restate the Original Amended Mortgage (hereafter the "Mortgage") in its entirety as follows:

In order to secure the performance and observance by Mortgagor of all covenants and conditions of the Note, this Mortgage and all other instruments securing the Note or referred to herein, and for other valuable considerations, the receipt of which is acknowledged, Mortgagor hereby grants, bargains, sells, conveys, assigns, transfers, mortgages, hypothecates, pledges, delivers, sets over, warrants and confirms unto Mortgagee forever, all of Mortgagor's estate, right, title and interest in, to and under the following (all of which is hereinafter referred to as the "Mortgaged Property"):

THE MORTGAGED PROPERTY

A. THE LAND. All the land located in the County of Lee, State of Florida (the "Land"), as more particularly described in Exhibit "A" attached hereto and by reference made a part hereof, subject only to those Permitted Exceptions set forth on Exhibit "B" attached hereto and by reference made a part hereof.

B. THE IMPROVEMENTS. TOGETHER WITH all buildings, structures and improvements of every nature whatsoever now or hereafter situated on the Land, and all fixtures, machinery, appliances, equipment, furniture, and personal property of every nature whatsoever now or hereafter owned by Mortgagor and located in or on, or attached to, or used or intended to be used in connection with or with the operation of, the land, buildings, structures or other improvements, or in connection with any construction being conducted or which may be conducted thereon, and owned by Mortgagor, including all extensions, additions, improvements, betterments, renewals, substitutions, and replacements to any of the foregoing and all of the right, title and interest of Mortgagor in and to any such personal property or fixtures (subject to any lien, security interest or claim together with the benefit of any deposits or payments now or hereafter made on such personal property or fixtures by Mortgagor or on its behalf) (the "Improvements").

C. EASEMENTS OR OTHER INTERESTS. TOGETHER WITH all easements, rights of way, gores of land, streets, ways, alleys, passages, sewer rights, waters, water courses, water rights and powers, and all estates, rights, titles, interests, privileges, liberties, tenements, hereditaments and appurtenances whatsoever, in any way belonging, relating or appertaining to any of the property hereinabove described, or which hereafter shall in any way belong, relate or be appurtenant thereto, whether now owned or hereafter acquired by Mortgagor, and the reversion and reversions, remainder and remainders, rents, issues and profits thereof, and all the estate, right, title, interest, property, possession, claim and demand whatsoever, at law as well as in equity, of Mortgagor of, in and to the same, including but not limited to all judgments, awards of damages and settlements hereafter made resulting from condemnation proceedings or the taking of the property described in Paragraphs A, B and C hereof or any part thereof under the power of eminent domain, or for any damage (whether caused by such taking or otherwise) to the property described in Paragraphs A, B and C hereof or any part thereof, or to any rights appurtenant thereto, and all proceeds of any sales or other dispositions of the property described in Paragraphs A, B and C hereof or any part thereof.

D. ASSIGNMENT OF RENTS. TOGETHER WITH all rents, royalties, issues, profits, revenue, income and other benefits from the property described in Paragraphs A, B and C hereof to be applied against the indebtedness and other sums secured hereby, provided, however, that permission is hereby given to Mortgagor so long as no default has occurred hereunder beyond any applicable grace or cure period, to collect, receive, take, use and enjoy such rents, royalties, issues, profits, revenue, income and other benefits as they become due and payable, but not in advance thereof. The foregoing assignment shall be fully operative without any further action on the part of either party and specifically Mortgagee shall be entitled, at its option upon the occurrence of a default hereunder which remains uncured beyond the expiration of any applicable grace or cure period, to all rents, royalties, issues, profits, revenue, income and other benefits from the property described in Paragraphs A, B and C hereof whether or not Mortgagee takes possession of the property described in Paragraphs A, B and C hereof. Upon any such uncured default hereunder, the permission hereby given to Mortgagor to collect such rents, royalties, issues, profits, revenue, income and other benefits from the property described in Paragraphs A, B and C hereof shall terminate and such permission shall not be reinstated upon a cure of the default without Mortgagee’s specific consent. Neither the exercise of any rights under this paragraph by Mortgagee nor the application for any such rents, royalties, issues, profits, revenue, income or other benefits to the indebtedness and other sums secured hereby, shall cure or waive any default or notice of default hereunder or invalidate any act done pursuant hereto or to any such notice, but shall be cumulative of all other rights and remedies.

E. ASSIGNMENT OF LEASES. TOGETHER WITH all right, title and interest of Mortgagor in and to any and all leases now or hereafter on or affecting the property described in Paragraphs A, B and C hereof, together with all security therefor and all monies payable thereunder, subject, however, to the conditional permission hereinabove given to Mortgagor to collect the rentals under any such lease. The foregoing assignment of any lease shall not be deemed to impose upon Mortgagee any of the obligations or duties of Mortgagor provided in any such lease, and Mortgagor agrees to fully perform all obligations of the lessor under all such leases. Upon Mortgagee's request, Mortgagor agrees to send to Mortgagee a list of all leases covered by the foregoing assignment and any such lease shall expire or terminate or as any new lease shall be made, Mortgagor shall so notify Mortgagee in order that at all times Mortgagee shall have a current list of all leases affecting the property described in Paragraphs A, B and C hereof. Mortgagee shall have the right, at any time and from time to time, to notify any lessee of the rights of Mortgagee as provided by this paragraph. From time to time, upon request of Mortgagee, Mortgagor shall specifically assign to Mortgagee as additional security hereunder, by an instrument in writing in such form as may be approved by Mortgagee, all right, title and interest of Mortgagor in and to any and all leases now or hereafter on or affecting the Mortgaged Property, together with all security therefor and all monies payable thereunder, subject to the conditional permission hereinabove given to Mortgagor to collect the rentals under any such lease. Mortgagor shall also execute and deliver to Mortgagee any notification, financing statement or other document reasonably required by Mortgagee to perfect the foregoing assignment as to any such lease. Notwithstanding anything herein to the contrary, so long as no default has occurred hereunder beyond any applicable grace or cure period, Mortgagor shall have the right to modify and terminate any leases affecting the Mortgaged Property in Mortgagor's discretion, without obtaining Mortgagee's prior consent.

This instrument constitutes an absolute and present assignment of the rents, royalties, issues, profits, revenue, income and other benefits from the Mortgaged Property, subject, however, to the conditional permission given to Mortgagor to collect, receive, take, use and enjoy the same as provided hereinabove; provided, further, that the existence or exercise of such right of Mortgagor shall not operate to subordinate this assignment to any subsequent assignment, in whole or in part, by Mortgagor, and any such subsequent assignment by Mortgagor shall be subject to the rights of Mortgagee hereunder.

F. FIXTURES AND PERSONAL PROPERTY. TOGETHER WITH a security interest in (i) all property and fixtures affixed to or located on the property described in Paragraphs A, B and C hereof which, to the fullest extent permitted by law shall be deemed fixtures and a part of the real property; (ii) all articles of personal property and all materials delivered to the property described in Paragraphs A, B and C hereof for use in any construction being conducted thereon, and owned by Mortgagor; (iii) all contract rights, general intangibles, actions and rights in action, including all rights to insurance proceeds and proceeds of condemnation or eminent domain as all of the same may relate to the property described in Paragraphs A, B and C hereof; (iv) subject to the rights of Mortgagor in and to all such Permits (hereinafter defined), and the rights of Mortgagor to terminate, modify and/or amend any such Permits, as same pertain to the rights of Mortgagor to develop all portions of the Mortgaged Property released from the lien of this Mortgage, all development rights, consents, approvals, permits, licenses, reservations, prepaid utility fees or deposits, prepaid impact fees, and authorizations now or hereafter created, issued or paid for construction, development or operation of the Mortgaged Property (the "Permits"); (v) all contracts for the design, engineering and construction for the Approved Common Infrastructure Improvements (as defined herein)(including but not limited to the payment and performance bonds, if any) to be installed in the Project as defined herein, or any portion thereof; and (vi) all proceeds, products, replacements, additions, substitutions, renewals and accessions of any of the foregoing. Mortgagor (Debtor) hereby grants to Mortgagee (Creditor) a security interest in all fixtures, rights in action and personal property described herein.

This Mortgage is a self-operative security agreement with respect to such property, but Mortgagor agrees to execute and deliver on demand such other security agreements, financing statements and other instruments as Mortgagee may request in order to perfect its security interest or to impose the lien hereof more specifically upon any of such property. Mortgagee shall have all the rights and remedies in addition to those specified herein of a secured party under the Uniform Commercial Code.

TO HAVE AND TO HOLD the same, together with all and singular the tenements, hereditaments and appurtenances thereunto belonging or in any way appertaining and the reversions, remainders, rents, issues and profits thereof, and also all the estate, right, title, interest, property, possession, claim or demand of the Mortgagor in and to the same, and every part thereof, unto the Mortgagee in fee simple.

AND Mortgagor covenants with the Mortgagee that Mortgagor is indefeasibly seized of the Mortgaged Property in fee simple; that it has full power and lawful right to convey and mortgage the same in fee simple; that upon default it shall be lawful for the Mortgagee at all times peaceably and quietly to enter upon, hold, occupy, possess and enjoy the Mortgaged Property, and every part thereof; that the Mortgaged Property is and will, except as allowed herein, remain free from all liens and encumbrances, including taxes and assessments, except for the Permitted Exceptions, any easements or instruments to which Mortgagee has consented or is a party, assessment liens for CDDs (hereinafter defined), CCRs (hereinafter defined), the Restrictive Covenant Agreement (hereinafter defined), the Four Party Agreement (hereafter defined), easements for roads, utilities, lakes and other infrastructure improvements constructed on the Mortgaged Property from time to time consistent with the Approved Site Plan (as such plan may be modified from time to time), and as herein otherwise provided; that Mortgagor will make such further assurances to perfect the fee simple title to the Mortgaged Property in Mortgagee as may be reasonably required, and that Mortgagor does hereby fully warrant the title thereto, and every part thereof, and will defend the same against the lawful claims of all persons whomsoever.

PROVIDED ALWAYS that if the Mortgagor shall pay to the Mortgagee the indebtedness evidenced by the Note or any renewal or replacement of the Note and if the Mortgagor shall duly, promptly and fully perform, comply with and abide by each and every one of the stipulations, agreements, conditions and covenants of the Note, this Mortgage, or other instruments referred to herein, then this Mortgage and the estate hereby created shall cease and be null and void.

Mortgagor further covenants and agrees with Mortgagee as follows:

1. USE OF MORTGAGED PROPERTY. To develop the Mortgaged Property as a multi-use residential community (the "Project") consisting of single family residential lots (the "Lots") together with a golf course with no less than eighteen (18) holes with clubhouse and related amenities (the "Golf Course") and other related common facilities and amenities (collectively the "Project"), to be constructed on the Mortgaged Property substantially in accordance with the Approved Site Plan. For purposes of this Mortgage, the Approved Site Plan shall mean the Master Site Plan, which is a conceptual site plan, shown on page 4 of 30 of WilsonMiller Project Number 03552-005-001-EPP00, Index Number D-3552-44, used to obtain SFWMD Environmental Resource Permit Number 36-05075-P (Lot 308 has been deleted), and as supplemented by Master Site Plan shown on Sheet 5 of 57 of WilsonMiller Project No. 03552-005-002-FLP00, Index Number D-3552-71. Mortgagor may change the Approved Site Plan as long as Mortgagor obtains Mortgagee's consent, which consent shall not be unreasonably withheld, delayed or conditioned. In the event Mortgagee has acquired title to all or a portion of the Mortgaged Property through foreclosure, deed-in-lieu of foreclosure or otherwise, Mortgagee may change the Approved Site Plan without Mortgagor's consent as long as such changes do not change Mortgagor's Lots or materially and adversely change ingress, egress, drainage or utilities for Mortgagor's Lots including ingress and egress to the Golf Course and any other amenities at the Project.

2. PAYMENT. To pay all sums secured hereby, together with interest and other appurtenant charges thereon, when the same shall become due, as provided in the Note, this Mortgage or other instruments referred to herein or evidencing any renewal or extension thereof.

3. TAXES AND OTHER PAYMENTS. To pay and discharge when due any taxes, assessments, levies, charges, liabilities, claims, liens, obligations, impositions and encumbrances of every nature and kind now on the Mortgaged Property, or that hereafter may be imposed, suffered, placed, levied or assessed thereon, or that hereafter may be levied or assessed upon this Mortgage or the indebtedness secured hereby, including, but not limited to, all impact fees, utility reservation fees, off-site impact fees or costs, as and when due, and to produce receipts therefor upon demand and to provide Mortgagee on or before December 31st of each year of the term hereof with receipts for payment of all real property taxes on the Mortgaged Property for such prior year. The failure of Mortgagor to provide the paid tax receipts as required herein shall constitute a monetary default hereunder if and only at such time as Mortgagor has still failed to provide the paid tax receipts after Mortgagee provides written notice to Mortgagor of its non-receipt of such paid tax receipts and Mortgagor fails to provide such receipts to Mortgagee within ten (10) business days after receipt of such a notice.

4. INSURANCE. (i) To keep the Mortgaged Property insured against loss or damage by fire and all perils included within the term "extended coverage endorsement" in an amount equal to its full replacement value, such insurance to be issued by companies approved by Mortgagee, which approval shall not be unreasonably withheld, delayed or denied. The policy or policies of insurance shall contain a standard mortgagee clause with loss payable to Mortgagee; and (ii) to maintain comprehensive general liability insurance for not less than Ten Million and no/100 Dollars ($10,000,000.00) against claims and liability for injury to persons or property occurring on the Mortgaged Property, including all appurtenant easements. All such policy or policies of insurance shall name Mortgagee as an additional insured and shall provide for not less than ten (10) days prior written notice of modification, cancellation, termination or expiration to Mortgagee.

5. REPAIRS; WASTE. To keep the Mortgaged Property in good condition and repair and to permit, commit, or suffer no waste, impairment or deterioration of any part thereof and Mortgagee shall have the right to inspect the Mortgaged Property on reasonable notice to Mortgagor and, if Mortgagor so elects, Mortgagee shall be accompanied by a representative of Mortgagor on any such inspection. Mortgagor will not erect, build or construct upon any portion of the Mortgaged Property, any building or structure of any kind whatsoever, the erection, building or construction of which is not contemplated on or by the Approved Site Plan or, if not so contemplated on or by the Approved Site Plan, has not been otherwise previously approved by Mortgagee in writing.

6. GOVERNMENTAL REGULATION. To observe, abide by and comply with all statutes, ordinances, orders, permits, requirements, development agreements or decrees relating to the Mortgaged Property by any federal, state or municipal authority or subdivision thereof, and to observe and comply with all conditions and requirements necessary to preserve and extend the Permits, including without limitation any and all rights, licenses, consents, approvals, permits, development rights (including but not limited to, zoning variances, special exceptions and nonconforming uses), privileges, franchises and concessions which are applicable to the Mortgaged Property or which have been granted to or contracted for by Mortgagor in connection with any existing, presently contemplated or future use of the Mortgaged Property. Mortgagor shall promptly provide to Mortgagee copies of all correspondence, memos, notices, claims or demands to or from any governmental authority relating to the Permits. Failure by Mortgagor to keep and maintain in full force and effect and in good standing all such Permits now or hereafter granted and acquired with respect to the Mortgaged Property and all development rights thereon shall constitute a default hereunder if and only at such time as Mortgagor has still failed to maintain any such Permit after Mortgagee provides written notice to Mortgagor of its failure to maintain any such Permit and Mortgagor fails to obtain or reinstate the applicable Permit and provide evidence thereof to Mortgagee within thirty (30) business days (or reasonable longer period as is necessary to obtain or reinstate the applicable Permit provided Mortgagor is diligently seeking such Permit or reinstatement within said thirty (30) business day period) after receipt of such a notice. If at any time during the term hereof, Mortgagee reasonably deems any Permits to be in jeopardy of loss, expiration or termination due to Mortgagor's failure to comply with any requirement thereof, Mortgagee shall be entitled, upon reasonable notice under the circumstances to Mortgagor, to take all actions necessary to preserve those Permits and charge the reasonable costs thereof, including attorneys' fees, to Mortgagor. Failure of Mortgagor to pay such costs within thirty (30) business days of written demand from Mortgagee shall be an additional event of default. In the event Mortgagee reacquires any portion of the Mortgaged Property through foreclosure, deed in lieu of foreclosure or otherwise, it is expressly agreed that the Mortgagor and Mortgagee shall be entitled to exercise the rights granted by and under the Permits to develop their respective portions of the Mortgaged Property in accordance with the Approved Site Plan.

7. FUTURE ADVANCES. Upon request of Mortgagor, Mortgagee, at Mortgagee's sole option, within twenty (20) years from date of this Mortgage, may make future advances to Mortgagor. It is hereby specifically agreed that any sum or sums which may be loaned or advanced by the Mortgagee to the Mortgagor at any time after the recording of this Mortgage, together with interest thereon at the rate agreed upon at the time of such loan or advance, shall be equally secured with and have the same priority as the original indebtedness and be subject to all the terms and provisions of this Mortgage, providing that the aggregate amount of the principal outstanding at any time shall not exceed an amount equal to two times the principal amount originally secured hereby.

8. ASSIGNMENT OF RENTS AND LEASES. Mortgagor hereby grants a first assignment and pledge to Mortgagee, as additional security for the payment of indebtedness secured by this Mortgage, of any and all leases, written or oral, rents, income, profits, issues, and revenues, from whatever source derived existing now or hereafter on the Mortgaged Property; and Mortgagor covenants to observe all the obligations of the lessor in any leases and not to do or permit to be done anything to impair the security thereof; not to execute any other assignment of lease or assignment of rents of the Mortgaged Property; and not to alter, modify or change the terms of, or surrender, cancel or terminate any leases, without the prior written consent of Mortgagee, except at times when Mortgagor is not in default of its obligations under this Mortgage beyond any applicable grace or cure period, during which times Mortgagor shall have a free right to alter, modify, change the terms of, surrender, cancel or terminate any leases without the prior consent of Mortgagee other than the Rinker Leases (as defined in Paragraph 29 hereof), for which such consent shall not be unreasonably withheld, conditioned or delayed.

9. EMINENT DOMAIN. In the event of condemnation proceedings or a taking of all or any portion of the Mortgaged Property by eminent domain, the award or compensation payable thereunder (excluding Mortgagor's reasonable third party costs not to exceed $50,000 in obtaining such proceeds and Mortgagor's attorney's fees) is hereby assigned to and shall be paid to Mortgagee to the extent of the sums due hereunder. Mortgagee shall be under no obligation to question the amount of any such award or compensation and may accept the same in the amount in which the same shall be paid. In any such condemnation proceedings, Mortgagee may be represented by counsel selected by Mortgagee. In the event of a total condemnation or taking, the proceeds of any award or compensation so received by Mortgagee shall be applied to the prepayment of the Note and all sums due under this Mortgage, and the balance, if any, shall be paid over to Mortgagor. In the event of a partial condemnation or taking, Mortgagee shall pay over to Mortgagor such portion of the award or compensation so received by Mortgagee as is reasonably necessary to restore the portion of the remaining Mortgaged Property not condemned but affected by such condemnation or taking, and the balance shall be applied by Mortgagee as a prepayment of the Note.

10. EXPENSES OF COLLECTION. All sums secured by this Mortgage shall be payable at Mortgagee's address set forth above, and, unless otherwise provided in this Mortgage, shall bear interest at the same rate per annum as the Note bears, from date of accrual until paid. If the Note or any other sums secured by this Mortgage shall be collected by legal proceedings or through a probate or bankruptcy court, or shall be placed in the hands of an attorney for collection after maturity, whether matured by the expiration of time or by the option given to the Mortgagee to accelerate the maturity, Mortgagor agrees to pay all and singular the costs, charges and expenses, including attorneys' fees through all stages of legal proceedings (including bankruptcy, pretrial, trial, appellate and administrative) reasonably incurred, or paid at any time by the Mortgagee because of the failure on the part of the Mortgagor to perform, comply with and abide by each and every one of the stipulations, agreements, conditions and covenants of the Note, this Mortgage or other instruments referred to herein, and every such payment shall bear interest at the rate which is five points higher than the rate of interest in effect under the Note at the time of such default from the date when such sums are due until paid.

11. TRANSFERS AND ENCUMBRANCES. Unless otherwise provided in this Mortgage, if, without Mortgagee's prior written consent, which shall not be unreasonably withheld, conditioned or delayed by Mortgagee, all or any part of the Mortgaged Property, or any interest therein, is sold, conveyed, leased, assigned or transferred in any manner or further encumbered by Mortgagor, whether voluntarily or by operation of law, then in that event Mortgagee may declare all sums secured by this Mortgage immediately due and payable. This provision shall not be construed to prevent Mortgagor from (i) entering into contracts to sell parcels of the Mortgaged Property which are to be released from the lien of this Mortgage at the closing of such contracts, or (ii) conveying portions of the Mortgaged Property to a property owner's association, to the public or any other government entity, or (iii) encumbering the Mortgaged Property with the lien of financing provided for bonds issued by any CDD (defined below) and/or any and all assessment liens that shall secure bonds issued by any such CDD, or (iv) recording of Covenants, Conditions and Restrictions (CCRs), or (v) the Approved Plat, or (vi) the Development Order and the Consumptive Use Permit issued by Lee County, Florida, or (vii) the Restrictive Covenant Agreement.

12. INSOLVENCY. It shall be a default of this Mortgage if the Mortgagor shall (a) consent to the appointment of a Receiver, Trustee or Liquidator of all or a substantial part of the Mortgagor's assets, or (b) be adjudicated a bankrupt or insolvent, or file a voluntary petition in bankruptcy, or admit in writing its inability to pay its debts as they become due, or (c) make a general assignment for the benefit of creditors, or (d) file a petition or answer seeking reorganization or arrangement of creditors, or to take advantage of any insolvency law, or (e) file an answer admitting the material allegations or a petition filed against the Mortgagor in any bankruptcy, reorganization or insolvency proceeding or (f) itself take action for the purpose of affecting any of the foregoing, or (g) if any order, judgment or decree shall be entered upon an application of a creditor or Mortgagor by a court of competent jurisdiction approving a petition seeking appointment of a Receiver, or Trustee of all or a substantial part of the Mortgagor's assets and such order, judgment or decree shall continue unstayed and in effect for a period of ninety (90) days.

13. MORTGAGEE'S PERFORMANCE OF DEFAULTED ACTS. If Mortgagor shall default, after the giving of notice and the lapse of any applicable grace or cure period, in any of the stipulations, agreements, conditions and covenants contained in the Note, this Mortgage or other instruments referred to herein, or in the payment of any taxes, assessments, levies, charges, liabilities, liens, claims, obligations, impositions and encumbrances on the Mortgaged Property, or fail to make any payment of any insurance premiums or other charges, or any other monies required to be paid under the Note, the Mortgage or other instruments referred to herein, or to keep the Permits in full force and effect and in good standing, or to keep the Mortgaged Property in good condition and repair or shall commit or permit waste, or if there be commenced any action or proceeding affecting the Mortgaged Property or the title thereto, or the interest of Mortgagor therein, then the Mortgagee may, at its option, subject to the notices and cure periods set forth in paragraph 14 below, take such action or pay such sums as Mortgagee deems advisable to cure such defaults including the prosecution or defense of litigation, and all expenditures made by the Mortgagee in that connection, including reasonable attorneys' fees, shall be secured by the lien of this Mortgage, shall draw interest at the rate which is five percent (5%) higher than the rate of interest that would otherwise be in effect under the Note from the date when such sums are due until paid, and shall, at the option of the Mortgagee, be added to the unpaid principal amount due under the Note or be payable by Mortgagor immediately and without demand. Neither the right nor the exercise of the right herein granted unto the Mortgagee to make any such payments shall preclude the Mortgagee from exercising its option to cause the whole indebtedness secured hereby to become immediately due and payable by reason of the Mortgagor's default in making such payments.

14. DEFAULT; ACCELERATION OF INDEBTEDNESS. (i) If any installment of the Note, whether of principal or interest or both, or the payment of any other sums of money referred to in this Mortgage, whether such payment is due to Mortgagee or to others, is not promptly and fully paid when due, and such default remains uncured for a period of fifteen (15) days after written notice thereof from Mortgagee to Mortgagor or (ii) in the event a nonmonetary breach or default be made by the Mortgagor in any one of the stipulations, agreements, conditions and covenants of said Note, this Mortgage, or any other documents or instruments executed and delivered by the Mortgagor to and in favor of the Mortgagee as security for, evidence of or otherwise connected with or incidental to the loan transaction or extension of credit evidenced by the Note and secured by this Mortgage, or if each and every one of said stipulations, agreements, conditions and covenants are not otherwise duly, promptly and fully discharged or performed and Mortgagor fails to cure such nonmonetary default within thirty (30) days after written notice thereof from Mortgagee to Mortgagor or if such default cannot be cured within such cure period, if Mortgagor fails to commence such cure within said thirty (30) days and thereafter diligently and in good faith pursues said cure and, in fact, cures said default within a reasonable time necessary to cure such default (subject to force majeure), (for purposes herein, any of such events described in clause (i) or (ii) above not cured within the applicable grace period are hereinafter referred to as an "Event of Default") then the Mortgagee, at its option, may thereupon or thereafter declare the indebtedness evidenced by the Note as well as all other monies secured hereby, to be forthwith due and payable, whereupon the principal of and the interest accrued on the indebtedness evidenced and represented by the Note and all other indebtedness evidenced and represented by the Note and all other sums secured by this Mortgage shall immediately become and be due and payable as if all of said sums of money were originally stipulated to be paid on such day, and thereupon, without notice or demand, the Mortgagee may avail itself of all rights and remedies provided by law and may prosecute a suit at law or in equity as if all monies secured hereby had matured prior to its institution, anything in this Mortgage or in the Note to the contrary notwithstanding. The Mortgagee may foreclose this Mortgage as to the amount so declared due and payable, and the Mortgaged Property shall be sold according to law to satisfy and pay the same together with all costs, expenses and allowances, including, without limitation, a reasonable fee for the Mortgagee's attorneys for pretrial, trial and appellate proceedings. The Mortgaged Property may be sold in one parcel, several parcels or groups of parcels, and the Mortgagee shall be entitled to bid at the sale and, if the highest bidder for the Mortgaged Property or any part or parts thereof, shall be entitled to purchase the same. The failure or omission on the part of the Mortgagee to exercise the option for acceleration of maturity and foreclosure of this Mortgage following any default as aforesaid or to exercise any other option granted hereunder to Mortgagee when entitled to do so in any one or more instances, or the acceptance by Mortgagee of partial payment of the indebtedness secured hereby, whether before or subsequent to Mortgagor's default hereunder, shall not constitute a waiver of any such default or the right to exercise any such option, but such option shall remain continuously in force. Acceleration of maturity, once claimed hereunder by Mortgagee, at the option of Mortgagee, may be rescinded by written acknowledgment to that effect by Mortgagee, but the tender and acceptance of partial payments alone shall not in any way affect or rescind such acceleration of maturity.

Any sums due and owing to Mortgagee hereunder or under the Note for any purpose whatsoever after an Event of Default shall bear interest at the rate which is five percent (5%) higher than the rate of interest that would otherwise be in effect under the Note from the date when such sums are due until paid to Mortgagee. All agreements between Mortgagor and Mortgagee, whether now existing or hereafter arising and whether written or oral, are hereby expressly limited so that under no contingency whatsoever, whether by reason of acceleration of the maturity of the Note, or otherwise, shall the amount paid, or agreed to be paid, to Mortgagee for the use, forbearance, or detention of the money to be loaned under the Note, or otherwise, or for the payment or performance of any covenant or obligation contained in the Note or this Mortgage, or other instrument evidencing, securing, or pertaining to the indebtedness evidenced by the Note, exceed the maximum amount permissible under applicable law. If from any circumstances whatsoever fulfillment of any provision of the Note or this Mortgage, or other instrument, at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by law, then, ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any such circumstances Mortgagee shall ever receive anything of value deemed interest by applicable law in an amount which would exceed interest at the highest lawful rate, such amount which would be excessive interest shall be applied to the reduction of the unpaid principal balance of the Note or to any other principal indebtedness of the Mortgagor to the Mortgagee, and not to the payment of interest, or if such excessive interest exceeds the unpaid principal balance of the Note and such other indebtedness, such excess shall be refunded to Mortgagor. All sums paid, or agreed to be paid, by Mortgagor for the use, forbearance, or detention of the indebtedness of Mortgagor to Mortgagee shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full term of such indebtedness until payment in full so that the actual rate of interest on account of such indebtedness is uniform throughout the term thereof. The terms and provisions of this paragraph shall control and supersede every other provision of all agreements between Mortgagor and Mortgagee.

15. RECEIVER. Upon an Event of Default by Mortgagor, Mortgagee shall be entitled to the appointment by a court of competent jurisdiction of a receiver of the Mortgaged Property as a matter of absolute right and without notice; with power to collect the rents, issues and profits of the Mortgaged Property due and coming due during the pendency of an action to foreclose this Mortgage, without regard to the value of the Mortgaged Property or the solvency of any person liable for the payment of any sums secured hereunder. Mortgagor, for itself and any subsequent owner, hereby waives any and all defenses to the application for a receiver as above provided, and hereby specifically consents to such appointment without notice; but nothing contained in this Mortgage is to be construed to deprive the Mortgagee of any other right, remedy or privilege it may now have under the law to have a receiver appointed. This provision for the appointment of a receiver of the rents and profits and the assignment of such rents and profits is made an express condition upon which the loan hereby secured is made. The costs, fees and expenses incurred pursuant to the exercise of the foregoing powers shall be an additional indebtedness secured by the lien of this Mortgage.

16. <u>WAIVER AND MODIFICATION</u>. No modification or waiver hereof shall be effective between the Mortgagor and the Mortgagee unless it is in writing and duly executed by the party to be bound. Third parties shall be bound by any modification or waiver hereof in writing and duly recorded in the public records of the county in which the Mortgaged Property is located, or of which such third parties have actual notice. Without affecting the liability of Mortgagor or any other person (except any person expressly released in writing) for payment of any indebtedness secured hereby or for performance of any obligation contained herein, and without affecting the rights of Mortgagee with respect to any security not expressly released in writing, Mortgagee may, at any time and from time to time, either before or after the maturity of the Note, and without notice or consent:

a. Release any person liable for payment of all or any part of the indebtedness or for performance of any obligation;

b. Make any agreement extending the time or otherwise altering the terms of payment of all or any part of the indebtedness, or modifying or waiving any obligation, on subordinating, modifying or otherwise dealing with the lien or charge hereof;

c. Exercise or refrain from exercising or waive any right Mortgagee may have;

d. Accept additional security of any kind; and

e. Release or otherwise deal with any property, real or personal, securing the indebtedness, including all or any part of the Mortgaged Property.

No waiver of any default on the part of Mortgagee or of any breach of any of the provisions of this Mortgage shall be considered a waiver of any other or subsequent default or breach, and no delay or omission in exercising or enforcing the rights and powers herein granted shall be construed as a waiver of such rights and powers, and likewise no exercise or enforcement of any rights or powers hereunder shall be held to exhaust such rights and powers, and every such right and power may be exercised from time to time.

17. <u>MORTGAGOR'S STATUS</u>. Mortgagor represents and warrants that it is duly organized and validly existing, in good standing under the laws of the state of its incorporation, has partnership interests outstanding which have been duly and validly issued, and is qualified to do business and is in good standing in the State of Florida, with full power and authority to consummate the transactions contemplated hereby.

18. DEVELOPMENT REQUIREMENTS. It shall constitute an additional event of default under this Mortgage in the event that Mortgagor (subject to the notice and cure periods set forth at clause (ii) of paragraph 14 above):

a. Modifies or amends the Approved Site Plan without Mortgagee's prior written approval which approval shall not be unreasonably withheld, delayed or conditioned, or fails to develop the Mortgaged Property in accordance with the Approved Site Plan and all Permits, development orders and development agreements pertaining thereto. Notwithstanding anything contained herein to the contrary, Mortgagor, without such action constituting an event of default under this Mortgage, shall be entitled to modify and/or amend any Permits, development orders and development agreements in order to effectuate development of the Mortgaged Property in accordance with the Approved Site Plan (as may be amended pursuant hereto) without the consent of Mortgagee so long as Mortgagor is not in default beyond any applicable grace or cure period and such modifications or amendments are made in the reasonable business judgment of Mortgagor and are consistent with the Approved Site Plan.

b. Following issuance of all permits, fails to maintain in full force and effect without material modification all Permits and other development rights in effect from time to time necessary to develop the Property in accordance with the Approved Site Plan. The parties hereto acknowledge that both the Mortgagor with respect to property released from the lien of this Mortgage and Mortgagee with respect to property remaining encumbered by the lien of this Mortgage, shall have the right to exercise the rights granted by the Permits to develop their respective properties in accordance with the Approved Site Plan in the event Mortgagee ever acquires or reacquires any of the Mortgaged Property pursuant to foreclosure, deed in lieu of foreclosure or otherwise. Mortgagee acknowledges that during the term of this Mortgage, Mortgagor shall have the right to assign its rights to develop unencumbered property granted by such Permits to its Lenders to secure financing for construction of the improvements thereon and the full development thereof. Mortgagor agrees that during the term of this Mortgage, Mortgagee shall be entitled to copies of all such Permits in existence now or created during the term hereof or as modified during the term hereof. Mortgagor shall promptly provide Mortgagee with copies of such Permits and all material correspondence, memoranda, notices, demands and other information pertaining to such Permits and the Approved Site Plan or other development rights with respect to the Mortgaged Property from or to all governmental agencies. Mortgagee shall have the rights to take all reasonable steps necessary to maintain all Permits and other development rights which are to expire or otherwise be adversely affected upon reasonable prior notice to Mortgagor. All reasonable expenses incurred by Mortgagee therefor shall be charged to Mortgagor and shall be paid to Mortgagee upon demand. Mortgagee acknowledges that any material modification of the Permits or the Approved Site Plan shall be a default hereunder unless Mortgagor first obtains Mortgagee's written consent which shall not be unreasonably withheld or delayed.

19. RELEASE PROVISIONS.

a. Subject to the terms and conditions of this Paragraph 19, Mortgagee shall execute and deliver to Mortgagor partial releases of the Lots and the portion of the Mortgaged Property located North of Alico Road in Sections 6 and 7, Township 46 South, Range 26 East of Lee County, Florida consisting of approximately 389.658 acres as is more particularly described on Exhibit "A" attached hereto ("Section 6/7 Property").

(i) No such releases will be executed without the "Applicable Release Payment" (as defined herein) being made to Mortgagee. Mortgagor shall receive credits (the "Release Credits") for application to the Applicable Release Payment for the Section 6/7 Property and/or any Lots equal to: (x) the cash payment made by Mortgagor to Mortgagee at the Closing of the Purchase and Sale Agreement (hereafter defined) plus (y) principal payments made under the Note, including without limitation, awards or compensation resulting from condemnation proceedings or takings under the power of eminent domain, minus (z) the remaining payments (the "Remaining Rinker Payments") due to Rinker Materials of Florida, Inc., its successors or assigns (hereafter "Rinker") pursuant to Sections 2(a)(ii) and 2(a)(iii) of the Release Agreement (as defined in the Four Party Agreement). The Release Credits which are available to Mortgagor shall be increased dollar for dollar as the amount of the Remaining Rinker Payments are reduced by any cash payments made to Rinker by Mortgagor or any guarantor or by Rinker's application of the Royalty Abatements and/or Set-off/Recoupment Rights in accordance with the Four Party Agreement (as such terms are defined therein) or by any other reductions thereto, subject to Rinker's certified confirmation thereof. For example, if Rinker certifies on December 31, 2009, that an additional $1,000,000.00 of Royalty Abatements and/or Set-off/Recoupment Rights have been credited to reduce the Remaining Rinker Payments, the Release Credits which are available to Mortgagor pursuant to the Mortgage shall be increased by $1,000,000.00.

(ii) Mortgagee hereby acknowledges the receipt from Mortgagor of the $6,290,000.00 cash payment made by Mortgagor to Mortgagee at the Closing of the Purchase and Sale Agreement, the Special Principal Payment (as defined in the Note) of $3,775,000.00, the Second Principal Payment (as defined in the Note) of $445,000.00 and the Third Principal Payment of $2,000,000.00 made concurrently with the execution and delivery of the Note and this Mortgage for a total of $12,510,000.00 in cash and principal payments (collectively, "Prior Payments"). Mortgagor and Mortgagee hereby acknowledge that the balance of the Remaining Rinker Payments is equal to $6,075,484.00 after giving effect to the royalties earned under the Rinker Leases to and including August 30, 2008. Thus, as of the date of this Mortgage and after giving effect to the Prior Payments and such royalties earned, $6,434,516.00 in Release Credits are available to Mortgagor to be applied to Applicable Release Payments.

(iii) It is anticipated that Mortgagor will obtain approval from Lee County, Florida to record one or more subdivision plats of all or part of the Land for the development of 336 Lots in accordance with the Approved Site Plan and the phase I development order for 180 Lots ("Phase 1 Development Order") and a phase II development order for approximately 156 Lots ("Phase II Development Order"), subject to issuance thereof. The required release payment ("Per Lot Release Payment") to obtain the release of each Lot from the lien of this Mortgage will be (A) an amount equal to $189,905.66 per Lot for the first 53 Lots, and (B) an amount equal to $212,279.15 per Lot for the remaining 283 Lots. Until the Note is paid in full, the total amount used to calculate the Per Lot Release Payment is $70,140,000 ("Total Partial Release Amount") which is equal to ($189,906.66 x 53 Lots) + ($212,279.15 x 283 Lots). The required release payment to obtain the release of the Section 6/7 Property from the lien of this Mortgage is $5,000,000 ("Section 6/7 Release Payment"). The applicable release payment to obtain the release of any Lot or the Section 6/7 Property, whether it be a Per Lot Release Payment or the Section 6/7 Release Payment, is sometimes referred to herein as the "Applicable Release Payment". Notwithstanding the foregoing, if the number of Lots approved on one or more subdivision plats of any portion of the Land recorded by Mortgagor in the Public Records of Lee County, Florida after approval by Lee County, Florida and Mortgagee ("Subdivision Plat" or "Subdivision Plats" if more than one) is more or less than 336 Lots, the Per Lot Release Payment required after the first 53 lots will determined by dividing $60,075,000 by the product of (the total number of Lots on the Subdivision Plats minus the 53 Lots agreed to be released for a Per Lot Release Payment of $189,905.66 per Lot). For example, if there are 340 Lots, the Per Lot Release Payment after the first 53 Lots will be $209,320.56 [calculated as follows: $60,075,000 / (340 Lots — 53 Lots) = $209,320.56], and, if there are 330 Lots, the Per Lot Release Payment after the first 53 Lots will be $216,877.26 [calculated as follows: $60,075,000 / (330 Lots — 53 Lots) = $216,877.26]. Notwithstanding the foregoing, after both the issuance of the Phase I Development Order and the release of the first 53 Lots from the lien of the Mortgage but prior to the issuance of the Phase II Development Order, the Applicable Release Payment required for all remaining Lots permitted by the Phase I Development Order shall be $212,279.15; and, in the event that the total number of Lots permitted by the Phase I Development Order and the Phase II Development Order and shown on the Subdivision Plats subsequently turns out to be more or less than 336 Lots, the Per Lot Release Payment required for all Lots in the Phase II Development Order (and any unreleased Lots in the Phase I Development Order) will be adjusted such that (A) the required Per Lot Release Payment for each remaining Lot will be the same, and (B) the payment of the last Per Lot Release Payment to Mortgagee will result in Mortgagee receiving the Total Partial Release Amount.

(iv) Additional Security for Mortgagee. As a requirement for recording any Subdivision Plat or Subdivision Plats for any portion of the Mortgaged Property, Mortgagor shall either: (i) include Mortgagee as an additional beneficiary on any bond, letter of credit or other security required by Lee County (the "Subdivision Bond") in connection with the recording of such Subdivision Plat(s) to ensure completion of any subdivision infrastructure improvements located therein which Lee County requires to be bonded, or (ii) if Lee County does not allow Mortgagee to be named a beneficiary of the Subdivision Bond posted with Lee County, post a bond, letter of credit or other security for the benefit of Mortgagee (the "Mortgagee Bond") in an equal amount and equal quality to and on substantially the same terms as the Subdivision Bond required to be posted with Lee County to ensure completion of such subdivision infrastructure improvements. If (i) Mortgagor does not complete such subdivision improvements on or before the date required under the Subdivision Bond provided to Lee County, or (ii) Mortgagee acquires title to the Mortgaged Property or a portion thereof through foreclosure, deed in lieu of foreclosure, or otherwise and Mortgagee completes such subdivision infrastructure improvements, Mortgagee and its successors and/or assigns shall have the right to draw on the Subdivision Bond or Mortgagee Bond, as applicable, provided to Mortgagee for payment of any cost which Mortgagee and its successors and/or assigns, expend to complete the subdivision infrastructure improvements secured by such Subdivision Bond or Mortgagee Bond. Mortgagor shall not have the right to have any Lot released unless (i) the Lot is included in a Subdivision Plat which has been recorded in Lee County, Florida and (ii) all of the requirements set forth herein with respect to the bonding of subdivision infrastructure improvements have been satisfied. However, none of the provisions of this subparagraph shall apply to the release of the Section 6/7 Property.

b. By its acceptance of this Mortgage and the Note, the Mortgagee agrees that, so long as the Mortgagor shall not be in default beyond any applicable grace or cure period at the time of any requested release, of any of the stipulations, agreements, conditions and covenants of the Note or this Mortgage, the Mortgagee shall, upon the request of the Mortgagor in accordance with the provisions of this Mortgage and the payment or prepayment on account of the principal amount of the indebtedness represented by the Note of the Applicable Release Payment hereinafter specified, release portions of the Mortgaged Property from the lien and encumbrance hereof upon and subject to the conditions, set forth herein. Notwithstanding the foregoing, regardless of the duration of any grace or cure periods or the absence thereof, if any such default has occurred, in all events Mortgagor shall have a fifteen (15) day period (the "Release Period") from the delivery of a notice from Mortgagee to Mortgagor declaring any default and/or accelerating the Note to request a release of Lots and/or the Section 6/7 Property, subject to the satisfaction of the release requirements set forth in this Mortgage. After the expiration of the Release Period following any such default, Mortgagor shall not be permitted to request a release of Lots and/or the Section 6/7 Property unless Mortgagor has cured any such default within the applicable cure period provided in the Note or this Mortgage. In addition, prior to any such release Mortgagor shall have the right to cause a reduction in the balance of the Remaining Rinker Payments (by making payments to Rinker or obtaining a current certification from Rinker of the royalties earned or otherwise) and a corresponding increase in the balance of the available Release Credits for application to the Applicable Release Payments. For purposes hereof, the release of the Mortgaged Property from the Four Party Agreement such that Rinker shall have no claim against Mortgagee or the Mortgaged Property (other than the Section 6/7 Property if it is being or has been released from the Mortgage) for recovery of the Remaining Rinker Payments, shall be deemed a payment in full of the Remaining Rinker Payments.

(i) <u>Release of Lots or Section 6/7 Property from the lien of this Mortgage</u>. Mortgagor may elect, at any time prior to payment of the Note in full, by means of a written request delivered to Mortgagee (each and every such request being a "Release Request") prior to the end of the Release Period, if applicable, to request the release from the lien of this Mortgage any Lots specified by Mortgagor as shown on a Subdivision Plat approved by Lee County or the Section 6/7 Property, upon payment to Mortgagee of the required Applicable Release Payment (as determined in accordance with the procedure set forth in Paragraph 19(a) above) including any election to apply Release Credits for such Lots or Section 6/7 Property which the Mortgagor desires to be released. Upon submission to Mortgagee of any such Release Request and the Applicable Release Payment (including any election to apply Release Credits) and, in the case of a Release Request pertaining to Lots, the applicable Subdivision Plat and the Subdivision Bond and Mortgagee Bond, if applicable, required pursuant to Paragraph 19(a) above, Mortgagee shall execute a partial release of mortgage, sufficient for recording in the official records of Lee County, Florida, which releases from the lien of this Mortgage the Lots or Section 6/7 Property identified by Mortgagor in such Release Request.

(ii) Application Against Minimum Annual Principal Payments. Mortgagor shall be required, at the times specified in the Note, to make the required Minimum Annual Principal Payments (as defined in the Note) due pursuant to the terms of the Note. All sums paid by Mortgagor in any given year for the release of Lots and/or the Section 6/7 Property, in accordance with any Release Request or otherwise, shall be credited towards the Minimum Annual Principal Payment due under the Note for such year (or if applicable, the following year or years until the credit is exhausted), thus thereby reducing the balance of the Minimum Annual Principal Payment due in such year by the amount so paid. In the event that Mortgagor does not make a Release Request in any given year or the Release Request(s) made by Mortgagor in any given year do not result in a payment to Mortgagee of the total amount of the Minimum Annual Principal Payment due for such year under the Note, then Mortgagor may specify to Mortgagee, at the time Mortgagor makes such year's Minimum Annual Principal Payment or any balance thereof which is due, the Lots desired and identified by Mortgagor by reference to the Subdivision Plat to be released by Mortgagee (and/or the Section 6/7 Property desired by Mortgagor to be released) from the lien of this Mortgage, the value of which Lots (or Section 6/7 Property) shall not exceed the Minimum Annual Principal Payment. Upon delivery of any such Release Request and payment by Mortgagor to Mortgagee of any Minimum Annual Principal Payment, Mortgagee shall deliver a partial release of mortgage, sufficient for recording in the official records of Lee County, Florida, which releases from the lien of this Mortgage the Lots or Section 6/7 Property so requested by Mortgagor to be released. If at any time during the term of the Note, Mortgagor makes any payments of principal thereunder but does not desire any particular release at the time of such payment, then such payment shall increase the balance of Mortgagor's Release Credits and at any time thereafter but prior to the end of the Release Period, if applicable, Mortgagor shall be entitled to submit a Release Request to Mortgagee requesting release of Lots or Section 6/7 Property and upon submission of such Release Request to Mortgagee and election to apply Release Credits in the amount of the Applicable Release Payment and in the case of Lots, the other deliveries required pursuant to Paragraph 19(a), Mortgagee shall deliver a partial release of mortgage, sufficient for recording in the official records of Lee County, Florida, which releases from the lien of this Mortgage the Lots identified by Mortgagor by reference to the Subdivision Plat or the Section 6/7 Property, as may be requested by Mortgagor.

(iii) <u>Release of Portions of the Mortgaged Property to be Used for Golf Courses and Infrastructure and Common Improvements</u>. Notwithstanding anything contained herein to the contrary, from time to time upon satisfaction of the Project Infrastructure Release Conditions (hereinafter defined), Mortgagor shall be entitled to obtain a release from the lien of this Mortgage, without the necessity of any payment being made under the Note, of any portion of the Mortgaged Property shown on the Approved Site Plan (as such plan may be amended from time to time in accordance with Paragraph 1 hereof) to be designated for use as, or on which will be constructed, a golf course or golf courses, lakes, roads, utilities, rights-of-way, or other infrastructure improvements, common improvements or facilities (i.e., improvements or facilities which are for the common use and benefit of more than one lot or unit) for the benefit of and/or necessary or required for or by Mortgagor's development, the public, any homeowner's association or any community development district, all as contemplated by the Approved Site Plan (the golf courses and other infrastructure improvements and common facilities shall be hereinafter collectively referred to as the "Approved Common Infrastructure Improvements"). Should Mortgagor at any time desire to have released any portion of the Mortgaged Property for the purpose of using such portions of the Mortgaged Property for Approved Common Infrastructure Improvements, Mortgagor shall deliver a written request to Mortgagee (each and every such request being a "Project Infrastructure Release Request") wherein Mortgagor shall specify the acreage tracts to be released and the use for such acreage tracts, which request shall be accompanied by evidence, or state the date on which such evidence is estimated to be available, that all of the following conditions (" Project Infrastructure Release Conditions") have been satisfied by Mortgagor: (i) Mortgagor shall not be in default under this Mortgage at the time of any requested release beyond the end of the Release Period, unless such default is cured within the applicable grace or cure period; (ii) Mortgagor has entered into a construction contract with an unaffiliated contractor for the construction of the particular improvements that qualify as Approved Common Infrastructure Improvements on the land requested by Mortgagor to be released, which construction contract shall only include the particular Approved Common Infrastructure Improvements to be constructed on the land to be released, and (iii) the land to be released shall only include the land necessary for construction of the Approved Common Infrastructure Improvements which are the subject of the construction contract, (iv) Mortgagor shall have obtained a surety payment and performance bond for the work subject to the construction contract in the amount of 100% of the construction contract price, (v) Mortgagor shall have obtained all development and/or building permits necessary for construction of the Approved Common Infrastructure Improvements which are the subject of the construction contract, (vi) at the time of such release, Mortgagor shall assign to Mortgagee as additional and collateral security Mortgagor's rights under the construction contract and the surety bonds (such collateral security agreements shall allow Mortgagor to exercise all rights thereunder as the owner) and (vii) in respect to any land to be released for a Golf Course to be constructed in accordance with the Approved Site Plan, then also, the Golf Course shall be made subject to a declaration of covenants, conditions and restrictions, that cannot be amended without the consent of Mortgagee that (a) restricts the use of the Golf Course land being released to only a golf course and (b) provides for play on the golf course when it is completed by all owners of lots and/or units in the land remaining encumbered by this Mortgage and allows such owners to purchase memberships in the applicable golf club on the same basis as the owners of lots and/or units in the Mortgaged Property that has been released from the lien of this Mortgage. Upon the submission by Mortgagor to Mortgagee of any Project Infrastructure Release Request with evidence appropriate to show satisfaction of the above conditions, Mortgagee shall execute a partial release of mortgage, sufficient for recording in the official records of Lee County, Florida, which releases from the lien of this Mortgage the portion of the Mortgaged Property which is the subject of the Project Infrastructure Release Request.

(iv) Security Withdrawal. Notwithstanding any provision in the Mortgage to the contrary, if Mortgagee acquires title to all or any part of the Mortgaged Property through foreclosure or deed in lieu of foreclosure or otherwise, Mortgagor shall have the right to withdraw the Subdivision Bond that it posted with Lee County in connection with the recording of any Subdivision Plat(s) ("Security Withdrawal"), subject to compliance with the requirements of this subparagraph, as long as no sales of Lots or any other portion of the Mortgage Property have been made to third parties, provided that Mortgagor provides written notice of such election to Mortgagee within the later to occur of i) 120 days of such transfer of title to Mortgagee, or ii) in the event any appeal, bankruptcy filing or other legal proceeding is instituted in a court of competent jurisdiction challenging any foreclosure, deed in lieu of foreclosure or other transfer of title, thirty (30) days after a final nonappealable adjudication is rendered which affirms such foreclosure, deed in lieu of foreclosure or other transfer of title ("Final Vesting"). In such event, Mortgagee and its successors and assigns shall have the right to replace such Subdivision Bond provided by Mortgagor to Lee County and if the Subdivision Bond is not replaced within ninety (90) days from the later to occur of i) the time Mortgagor provides Mortgagee notice of such election, or ii) Final Vesting, Mortgagor may proceed to vacate the Subdivision Plat(s). In such event, as part of such Security Withdrawal, notwithstanding any provision contained in this Mortgage or otherwise to the contrary, Mortgagor will reconvey by special warranty deed to Mortgagee any Lots and other portions of the Mortgaged Property, if any, which have been released to Mortgagor from the Mortgage, except for the Section 6/7 Property which Mortgagor shall be entitled to retain in the event of a Security Withdrawal. The special warranty deed shall be subject only to the "Permitted Exceptions", as hereinafter defined. All documentary stamp taxes shall be paid by Mortgagor. All real estate taxes, CDD assessments and other special assessments shall be prorated as of the date of transfer. Mortgagor shall pay for owner's title insurance for Mortgagee at promulgated rate which will be supplied by Mortgagee's counsel or title company selected by Mortgagee. "Permitted Exceptions" shall mean the matters set forth on Exhibit "B", all items affecting title created by Mortgagee, all matters affecting title which were reasonably created in obtaining development approvals relating to the Mortgaged Property, all easements created for utilities, drainage or access, all matters which would be shown by an accurate survey of the Mortgaged Property and any other matters of record approved by Mortgagee (collectively, the "Permitted Exceptions"). The provisions of this subparagraph (iv) and the last sentence of Section 1 hereof (collectively, the "Surviving Provisions") shall survive foreclosure or a deed in lieu of foreclosure or other transfer of title and the obligations of Mortgagor and Mortgagee relating thereto shall remain binding and enforceable against Mortgagor and Mortgagee and their respective successors and assigns even after a foreclosure or deed in lieu of foreclosure or other transfer of title has occurred. Mortgagee can record an affidavit of its compliance with any of the requirements of the Surviving Provisions and the Mortgage and Mortgagor acknowledges that any third party shall have the right to rely upon such affidavit.

c. Notwithstanding any provision herein to the contrary, in the event that any release of property requested by Mortgagor would result in any of the Mortgaged Property remaining encumbered by the lien of this Mortgage being landlocked without access to publicly dedicated roads and/or utility systems, then as a condition to such release, Mortgagor shall grant and/or Mortgagee shall retain, as appurtenant easements to such remaining portions of the Mortgaged Property encumbered by the lien of this Mortgage, easements in form and content reasonably necessary over the portion(s) of the Mortgaged Property which has been released from the lien of this Mortgage sufficient to allow Mortgagee access to public roads and/or utility systems. Such easements to the extent practical shall conform to the development of the Mortgaged Property contemplated by the Approved Site Plan.

d. As used in this Mortgage, the term "Purchase and Sale Agreement" shall mean that certain Third Amended and Restated Agreement for Purchase and Sale, dated August 29, 2003, by and between Mortgagor and Mortgagee, as amended by First Amendment to Third Amended and Restated Agreement for Purchase and Sale dated December 5, 2003, as amended by the Second Amendment to Third Amended and Restated Agreement for Purchase and Sale dated February 18, 2004, as amended by that certain "1031 Exchange" Amendment to Third Amended and Restated Agreement for Purchase and Sale dated April 29, 2004, as amended by the Third Amendment to Third Amended and Restated Agreement for Purchase and Sale dated June 9, 2005 ("Third Amendment"), as amended by the Fourth Amendment to Third Amended and Restated Agreement for Purchase and Sale dated June 30, 2005 ("Fourth Amendment"), as amended by the Fifth Amendment to Third Amended and Restated Agreement for Purchase and Sale dated as of July 7, 2005, as assigned in part by Mortgagee to First American Exchange Company, LLC ("First American") pursuant to that certain Assignment Agreement (Relinquished Property), dated July 8, 2005, and as amended by the Sixth Amendment to Third Amended and Restated Agreement dated as of December 27, 2007. In the event of any conflict or inconsistency between any terms or provisions of this Mortgage or the Note with any terms or provisions of the Purchase and Sale Agreement, the terms and provisions of this Mortgage and the Note shall control.

20. SUBORDINATION OF THE LIEN OF THIS MORTGAGE. Notwithstanding anything contained in this Mortgage to the contrary, Mortgagee shall consent, and agree to make subordinate the lien of this Mortgage, to financing provided through one or more community development districts ("CDD") established under Florida law in respect to the development of the Mortgaged Property and any and all assessment liens that shall secure bonds issued by any such CDD, for the construction of (i) any Approved Common Infrastructure Improvements, (ii) other off-site improvements required by any governmental authority or otherwise to be constructed by Mortgagor in connection with Mortgagor's rezoning of the Property, or in connection with any permits or approvals required for the development of the Property, (iii) improvements made in connection with obligations placed on Mortgagor pursuant to the Purchase and Sale Agreement, and (iv) road improvements made in connection with and/or pursuant to an agreement by and between Mortgagor and Florida Gulf Coast University. Mortgagee agrees that it shall provide its written consent, as evidenced by Mortgagee's signature on any documentation reasonably required to be executed by Mortgagee in order to effectuate such consent and subordination, to any issuance of bonds through any CDD and to the subordination of the lien of this Mortgage to such financing and any and all assessment liens that secure bonds issued by any such CDD, provided that such CDD is formed in accordance with, and subject to the provisions of, the laws of the State of Florida, and that the funds raised by the issuance of the bonds shall be used to pay solely for improvements contemplated by the Approved Site Plan (as such plan may be amended in accordance with the terms of the Purchase and Sale Agreement) or made pursuant to romanettes (i), (ii), (iii) or (iv) of the preceding sentence, provided in no event shall any of the proceeds of the bonds issued by any CDD be used to pay the salaries of any employees of any CDD. Mortgagee, upon request, and only for as long as this Mortgage remains outstanding to secure the payment of sums due under the Note, or such earlier period of time as may be required by Florida law, may require Mortgagor to appoint to the Board of Supervisors of any CDD established in connection with any portion of the Mortgaged Property, as many board members elected by Mortgagee as are required for Mortgagee to have control over any such Boards of Supervisors. Mortgagor hereby collaterally assigns to Mortgagee as additional security all rights and/or entitlements appurtenant to the Mortgaged Property arising from any CDD applicable to the Mortgaged Property, reserving all such rights in favor of Mortgagor, subject to the terms hereof, so long as this Mortgage is outstanding.

Mortgagee shall also consent and agree to make subordinate the lien of this mortgage to the following: (i) Covenants, Conditions and Restrictions ("CCRs") for the Mortgaged Property as the same may be subsequently recorded in the public records of Lee County, Florida, Mortgagee shall have the right to approve the proposed CCRs, which approval shall not be unreasonably withheld, conditioned or delayed; (ii) Property Subdivision Plat as the same shall be approved by Lee County, Florida; and (iii) Development Order issued by Lee County, Florida; and (iv) as to the portion of the Mortgaged Property located in Sections 5 and 8 north of Alico Road, a Restrictive Covenant Agreement in favor of Lee County restricting the use thereof to non-residential agriculture, mining and passive recreational uses (the "Restrictive Covenant Agreement").

21. FINANCIAL STATEMENTS. Within ninety (90) days after the close of each calendar year following Mortgagor's filing of a Subdivision Plat for any portion of the Mortgaged Property, Mortgagor shall provide Mortgagee an annual statement of the operations of and the financial condition of Mortgagor and the Mortgaged Property, certified by Mortgagor, and if Mortgagee shall require, by an independent certified public accountant. For so long as any amounts payable hereunder remain outstanding, Mortgagee shall have the right at all reasonable times to enter on and inspect the Mortgaged Property and the applicable books and financial records; and at any time after an Event of Default hereunder, the Mortgagee is authorized, without notice, in its sole discretion to enter upon and take possession of the Mortgaged Property or any part thereof and to perform any acts which the Mortgagee deems proper or necessary to conserve the security herein intended to be provided, and to collect and receive all rents, issues and profits thereof and therefrom, including those past due as well as those accruing thereafter.

22. SEVERABILITY. If any one or more of the provisions contained in this Mortgage or in the Note for any reason shall be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall, at the option of the Mortgagee, not affect any other provisions of this Mortgage, but this Mortgage shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein or therein.

23. FURTHER ASSURANCES. Mortgagor will, at the cost of Mortgagor, and without expense to Mortgagee, do, execute, acknowledge and deliver all and every such further acts, deeds, conveyances, mortgages, assignments, notices of assignment, transfers and assurances as Mortgagee shall from time to time require in order to preserve the priority of the lien of this Mortgage or to facilitate the performance of the terms hereof.

24. GOVERNING LAW, VENUE AND BINDING EFFECT. The interpretation and enforcement of the stipulations, agreements, conditions and covenants of this Mortgage shall be governed by and construed in accordance with the laws of the State of Florida and shall bind, and the benefits and advantages shall inure to, and be enforceable by Mortgagor and Mortgagee as well as their respective personal representatives, heirs, successors and assigns. Lee County, Florida shall be the exclusive venue for any litigation arising under this Mortgage. The total interest payable pursuant to the Note or this Mortgage shall not in any one year exceed the highest lawful rate of interest permitted in the State of Florida. Whenever used, the singular name shall include the plural, the plural the singular, and the use of any gender shall be applicable to all genders. When executed by two or more persons or entities as Mortgagor, the parties so executing shall be bound jointly and severally. The term “Mortgagee” shall also include any lawful owner, holder or pledgee of any indebtedness secured hereby.

25. NOTICE. Any notices required or permitted to be given under this Mortgage or the Note shall be in writing and shall be deemed given if delivered by hand, sent by recognized overnight courier (such as Federal Express), transmitted via facsimile transmission or mailed by certified or registered mail, return receipt requested, in a postage pre-paid envelope, and addressed as follows:

As to Mortgagee:
Alico-Agri, Ltd.
c/o Alico, Inc.
Attn: Dan L. Gunter, CEO
Mailing Address:
Post Office Box 338, Labelle, FL 33975
Physical Address:
640 S. Main Street, Labelle, FL 33935
Telephone: 863-675-2966
Facsimile: 863-675-5799

With a copy to:
Alico, Inc.
Attn: Don Schrotenboer, Vice President Real Estate
Mailing Address:
Post Office Box 338, Labelle, FL 33975
Physical Address:
640 S. Main Street, Labelle, FL 33935
Telephone: 863-675-5113
Facsimile: 863-675-5799

Ruden McClosky et al.
Attn: John L. Farquhar, Esq.
5150 Tamiami Trail North, Suite 502
Naples, FL 34103
Telephone: 239-659-1100
Facsimile: 954-333-4037

As to Mortgagor:	Ginn-LA Naples, Ltd. LLLP Attn: Edward R. Ginn, III 215 Celebration Place, Suite 200 Celebration, Florida 34747 Telephone: 321-939-4700 Facsimile: 321-939-4800
With a copy to:	Mr. Robert Gidel The Ginn Company 215 Celebration Place Suite 200 Celebration, FL 32137 Telephone: 321-939-4771 Facsimile: 321-939-4800
With a copy to:	Bruce A. Wobeck, Esquire Morris, Manning & Martin, LLP 1600 Atlanta Financial Center 3343 Peachtree Road, N.E. Atlanta, GA 30326 Telephone: 404-504-7739 Facsimile: 404-365-9532
With a copy to:	John G. Morris, Esquire Morris, Manning & Martin, LLP 1600 Atlanta Financial Center 3343 Peachtree Road, N.E. Atlanta, GA 30326-1044 Telephone: 404-572-7722 Facsimile: 404-365-9532

unless the address is changed by the party by like notice given to the other parties. Notice given by hand delivery shall be deemed received on the date delivered if delivered on a business day during business hours, otherwise it shall be deemed delivered on the next business day. Notice given by certified or registered mail, return receipt requested, postage pre-paid, shall be deemed delivered three (3) days following the date mailed. Notice sent by recognized overnight courier (such as Federal Express) shall be deemed received on the next business day. Notices given by facsimile shall be deemed received if sent as confirmed by confirmation of transmission by telecopier retained by the sender shall be proof of such sending and it shall be deemed received at that time if such time is during business hours on a business day, otherwise it shall be deemed received on the next business day. Any notice refused shall be deemed to be accepted on the earlier of the time frame set forth in this notice provision or when actually refused. Failure to give any of the copies in addition to the primary notice shall not affect the validity of the notice. Counsel may give notice on behalf of the parties.

26. TIME. Time is of the essence for all obligations hereunder.

27. EXCULPATION. Mortgagor shall be exculpated from personal liability for payment of the indebtedness secured by this Mortgage, and the Mortgagee by acceptance hereof agrees that it shall not seek, be entitled to or enforce any deficiency judgment therefor against the Mortgagor, its successors or assigns and that Mortgagee's sole remedy therefor shall be limited to its rights of repossession, foreclosure or sale of the Mortgaged Property as provided herein or such other rights in or recourse to property, real and personal, hypothecated by Mortgagor hereunder.

28. WAIVER OF JURY TRIAL. MORTGAGOR HEREBY WAIVES ANY AND ALL RIGHTS TO DEMAND THE RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER IN CONTRACT, TORT OR OTHERWISE, RELATING DIRECTLY OR INDIRECTLY TO OR ARISING OUT OF THE NOTE, THIS MORTGAGE OR ANY OTHER SECURITY DOCUMENTS, OR ACTS OR OMISSIONS OF MORTGAGEE PERTAINING THERETO.

29. SUBORDINATION. Notwithstanding any provision of this Mortgage or the Note to the contrary, it is understood and agreed by Mortgagee that the lien, terms, covenants and conditions of this Mortgage are and shall be subordinate in all respects, to the following agreements: Aggregate Mining and Plant Agreement (Sections 6 and 7, North of Alico Road, Lee County, Florida), dated July 12, 2005 by and between Mortgagor and Rinker and Aggregate Mining Agreement (Sections 5 and 8, North of Alico Road, Lee County, Florida), dated July12, 2005, by and between Mortgagor and Rinker (collectively, "Rinker Leases"), as modified by that certain Four Party Agreement dated as of December 27, 2007 by and among Mortgagor, Mortgagee, Rinker and Ginn-LA West FM (the "Four-Party Agreement"), together with any amendments, modifications, extensions or renewals of the foregoing as may be approved by Mortgagee in accordance with Paragraph 8 hereof. Notwithstanding any provision in this Mortgage to the contrary, Mortgagee (i) acknowledges and consents to the Rinker Leases and agrees that the lien of this Mortgage does not and will not include or encumber the rock, sand, limerock, soil materials (over burden) and their by-products located in, on or under on the Land; and (ii) acknowledges and agrees that, in the event of a foreclosure, deed in lieu of foreclosure, or other conveyance of title to any or all of the Mortgaged Property, Mortgagee, its nominee or any other purchaser at foreclosure shall remain bound by and subject to Rinker's "Royalty Abatements" and "Set-off/Recoupment Rights," as those terms are defined in the Four-Party Agreement.

30. Construction of Mortgage. Each of Mortgagor and Mortgagee have participated fully in the negotiation and preparation hereof and, accordingly, this Mortgage shall not be more strictly construed against either of the parties. Mortgagor and Mortgagee acknowledge and agree that this Mortgage shall not constitute a novation of the Original Amended Mortgage.

31. Counterparts. This Mortgage, and any subsequent amendments hereto, may be executed in any number of counterparts, each of which, when executed, shall be deemed to be an original, and all of which shall be deemed to be one and the same instrument.

[SIGNATURE PAGE COMMENCES ON FOLLOWING PAGE]

[SIGNATURE PAGE CONTINUED FROM PREVIOUS PAGE]

IN WITNESS WHEREOF, the Mortgagor and Mortgagee have executed this Mortgage as of the day and year first above written.

WITNESSES:

____
Signature

____
Print Name

____
Signature

____
Print Name

"MORTGAGOR"

GINN-LA NAPLES LTD., LLLP, a Georgia limited liability partnership

By: Ginn-Naples GP, LLC, a
Georgia limited liability company,
its sole General Partner

By: ______________________________

Name: ______________________________

Title: ______________________________

STATE OF ______________)
) SS:
COUNTY OF ______________)

The foregoing instrument was acknowledged before me this ________ day of ________, 2008, by ______________, as ______________, of Ginn-Naples, GP, LLC, on behalf of Ginn-LA Naples Ltd., LLLP, a Georgia limited liability limited partnership. He/She is personally known to me or has produced ______________ as identification.

____
Notary Signature

____
(Notary Name Printed)

(NOTARY SEAL)
Notary Public
Commission No. ______________________________

[SIGNATURE PAGE COMMENCES ON FOLLOWING PAGE]

[SIGNATURE PAGE CONTINUED FROM PREVIEW PAGE]

<u>WITNESSES:</u>

____
Signature

____
Print Name

____
Signature

____
Print Name

"MORTGAGEE"

ALICO-AGRI, LTD., a Florida limited partnership

By: Alico, Inc., a Florida corporation,
its general partner

By: ______________________________

Name: ______________________________

Title: ______________________________

STATE OF ____________)
) SS:
COUNTY OF ____________)

The foregoing instrument was acknowledged before me this ________ day of October, 2008, by ______________, as ________ of Alico, Inc., a Florida corporation, in its capacity as general partner of ALICO-AGRI, LTD., a Florida limited partnership. He/She is personally known to me or has produced ______________ as identification.

____
Notary Signature

____
(Notary Name Printed)

(NOTARY SEAL)
Notary Public
Commission No. ______________________

CROCKETT RECONVEYANCE AGREEMENT

This Crockett Reconveyance Agreement ("Agreement") is made and entered into as of the 3rd day of October, 2008, by and among ALICO-AGRI, LTD., a Florida limited partnership ("Alico") and WEST FM CROCKETT, LLC, a Georgia limited liability company ("Crockett").

W I T N E S S E T H:

WHEREAS, pursuant to that certain Agreement dated September 28, 2006 by and among Alico, Crockett and other parties, as amended by that certain First Amendment to Agreement dated as of the 28th day of September, 2007, that certain Second Amendment to Agreement dated as of the 27th day of December, 2007, and the Extension Agreement dated as of September 28, 2008, all of which are collectively referred to herein as the "West Option Agreement", Alico conveyed certain property referred to as the "Crockett Property" to Crockett by that certain Special Warranty Deed dated as of the 28th day of September, 2006, and recorded on December 22, 2006, as Instrument #2006000474153, of the Public Records of Lee County, Florida ("Crockett Deed"); and

WHEREAS, as part of the purchase of the Crockett Property, Crockett gave Alico a promissory note in the amount of $11,410,000.00 (the "Crockett Note"), which was secured by a Mortgage and Security Agreement recorded as Instrument #2006000474155, of the Public Records of Lee County, Florida ("Crockett Mortgage"); and

WHEREAS, Crockett and Alico have agreed that Crockett will reconvey the Crockett Property to Alico.

NOW, THEREFORE, in order to carry out this Agreement and for Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Transfer and Release. Crockett shall convey the Crockett Property back to Alico by Special Warranty Deed. The Special Warranty Deed will contain exceptions for real estate taxes for 2008 and subsequent years, those items reflected in the Crockett Deed, and such other exceptions as the parties have previously consented to or consent to as part of this transaction. Upon conveyance of the Crockett Property pursuant to the terms hereof, Crockett shall be released from the obligations pursuant to the Crockett Note and Crockett Mortgage and the parties shall have no further rights or obligations thereunder, except as set forth in this Agreement, or under the West Option Agreement, except as specifically set forth in the West Termination Agreement, and each of Alico and Ginn, and their respective partners, members, officers, directors and affiliates, shall be released from any and all claims, demands, causes of action, counterclaims, rights of setoff or other actions that either of them may have against the other arising from or relating to the Crockett Note, the Crockett Mortgage, the West Option Agreement or the Crockett Property, except those obligations set forth in this Agreement and in the West Termination Agreement.

2. Taxes. Crockett shall be required to pay one-half of the 2008 real estate taxes on the Crockett Property through October 3, 2008, to Alico at the time of the reconveyance of the Crockett Property. Alico shall have the responsibility for payment of the 2008 real estate taxes on the Crockett Property.

3. Title Insurance. Alico shall cause its counsel to obtain a title insurance commitment through Stewart Title Insurance Company, or another major title insurance company reasonably acceptable to the parties. Crockett will provide the standard affidavits and related documentation to delete the standard exceptions from the title commitment. Alico shall pay the cost of the title insurance premium at promulgated rate, the charges for the title search and the documentary stamps, if any. For purposes of computing the documentary stamps and title insurance premium, the present outstanding balance due on the Crockett Mortgage of $11,410,000.00 shall be used.

4. Documents and Reports. Crockett shall supply to Alico copies of all documentation provided by third party consultants in their possession (other than attorney client materials and any internal memoranda or reports) relating to the Crockett Property to the extent not previously delivered to Alico, including, but not limited to, surveys, land planning materials, environmental reports, environmental clean up materials, entitlement information, existing conditions of fines, and the name of all consultants who could provide information and authorization for such consultants to reproduce copies of all materials relating to the Crockett Property, at Alico's expense, and to perform services if retained by Alico.

5. Notices. Any notices required or permitted to be given under this Agreement shall be in writing and shall be deemed given if delivered by hand, sent by recognized overnight courier (such as Federal Express), transmitted via facsimile transmission or mailed by certified or registered mail, return receipt requested, in a postage pre-paid envelope, and addressed as follows:

As to Alico:
Alico-Agri, Ltd.
c/o Alico, Inc.
Attn: Dan L. Gunter, President & CEO
Mailing Address:
Post Office Box 338, Labelle, FL 33975
Physical Address:
640 S. Main Street, Labelle, FL 33935
Telephone: 863-675-2966
Facsimile: 863-675-5799

With a copy to:
Alico, Inc.
Attn: Don Schrotenboer, Vice President Real Estate
Mailing Address:
Post Office Box 338, Labelle, FL 33975
Physical Address:
640 S. Main Street, Labelle, FL 33935
Telephone: 863-675-5113
Facsimile: 863-675-5799

With a copy to:	Ruden McClosky et al. Attn: John L. Farquhar, Esq. 5150 Tamiami Trail North, Suite 502 Naples, FL 34103 Telephone: 239-659-1100 Ext. 7102 Facsimile: 954-333-4037
As to Crockett:	West FM Crockett, LLC Attn: Edward R. Ginn, III 215 Celebration Place, Suite 200 Celebration, Florida 34747 Telephone: 321-939-4700 Facsimile: 321-939-4800
With a copy to:	Bruce A. Wobeck, Esquire Morris, Manning & Martin, LLP 1600 Atlanta Financial Center 3343 Peachtree Road, N.E. Atlanta, GA 30326 Telephone: 404-504-7739 Facsimile: 404-365-9532
With a copy to:	John G. Morris, Esquire Morris, Manning & Martin, LLP 1600 Atlanta Financial Center 3343 Peachtree Road, N.E. Atlanta, GA 30326-1044 Telephone: 404-572-7722 Facsimile: 404-365-9532
With a copy to:	Robert Gidel The Ginn Company 215 Celebration Place, Suite 200 Celebration, FL 32137 Telephone: 321-939-4771 Facsimile: 321-939-4800

unless the address is changed by the party by like notice given to the other parties. Notice given by hand delivery shall be deemed received on the date delivered if delivered on a business day during business hours, otherwise it shall be deemed delivered on the next business day. Notice given by certified or registered mail, return receipt requested, postage pre-paid, shall be deemed delivered three (3) days following the date mailed. Notice sent by recognized overnight courier (such as Federal Express) shall be deemed received on the next business day. Notices given by facsimile shall be deemed received if sent as confirmed by confirmation of transmission by telecopier retained by the sender shall be proof of such sending and it shall be deemed received at that time if such time is during business hours on a business day, otherwise it shall be deemed received on the next business day. Any notice refused shall be deemed to be accepted on the earlier of the time frame set forth in this notice provision or when actually refused. Counsel may give notice on behalf of the parties.

6. This Agreement shall be construed and governed in accordance with laws of the State of Florida and in the event of any litigation hereunder, the venue for any such litigation, shall be exclusively in Lee County, Florida. All of the parties to this Agreement have participated fully in the negotiation and preparation hereof and, accordingly, this Agreement shall not be more strictly construed against any one of the parties hereto.

7. In the event any provision of this Agreement is determined by appropriate judicial authority to be illegal or otherwise invalid, such provision shall be given its nearest legal meaning or reconstrued as such authority determines, and the remainder of this Agreement shall be construed to be in full force and effect.

8. In the event of any litigation between the parties under this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees and court costs through all trial, appellate levels and post-judgment proceedings. The provisions of this paragraph shall survive the closing and any termination or cancellation of this Agreement.

9. In construing this Agreement, the singular shall be deemed to include the plural, the plural shall be deemed to include the singular and the use of any gender shall include every other gender and all captions and Paragraph and or Section headings shall be discarded and the terms Section or Paragraph may be used interchangeably.

10. This Agreement constitutes the entire agreement between the parties for the reconveyance of the Crockett Property, and supersedes any other agreement or understanding of the parties with respect to such matters. This Agreement may not be changed, altered or modified except in a writing signed by the party against whom enforcement of such a change would be sought. This Agreement shall be binding upon the parties hereto and their respective permitted successors and assigns.

11. No waiver of any provision of this Agreement shall be effective unless it is in writing, signed by the party against whom it is asserted and any such written waiver shall only be applicable to the specific instance to which it relates and shall not be deemed to be a continuing or future waiver.

12. This Agreement shall be dated as of October 3, 2008, and shall be effective when signed by all of the parties to this Agreement and a fully executed Agreement has been delivered to all parties.

13. This Agreement, and any subsequent amendments hereto, may be executed in any number of counterparts, each of which, when executed, shall be deemed to be an original, and all of which shall be deemed to be one and the same instrument. Facsimile transmission signatures or other copies shall have the same validity as original signatures.

14. Each of the parties hereto agree to execute, acknowledge and deliver and cause to be done, executed, acknowledged and delivered all such further acts, assignments, transfers and assurances as shall reasonably be requested of it in order to carry out this Agreement and give effect thereto. This provision shall survive the closing.

15. The terms of this Agreement shall survive the conveyance from Crockett to Alico as to the enforceability of the rights and obligations of the parties pursuant to this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement the day and year first above written.

Signed, sealed and delivered
in the presence of:

SELLER:

ALICO-AGRI, LTD., a Florida limited partnership

By: ALICO, INC., a Florida corporation
Its: General Partner

By: ______________________
DAN L. GUNTER, CEO & President

____
Printed Name: ______________________

____
Printed Name: ______________________

(CORPORATE SEAL)

CROCKETT:

WEST FM CROCKETT, LLC,
a Georgia limited liability company

By: ______________________
Printed Name: ______________________
Title: ______________________

____
Printed Name: ______________________

____
Printed Name: ______________________

(CORPORATE SEAL)

EXHIBIT "A"

LEGAL DESCRIPTION
WEST FM CROCKETT, LLC.
Sections 18 & 19, Township 46 South, Range 26 East
LEE COUNTY, FLORIDA

A parcel of land lying in Sections 18 and 19, Township 46 South, Range 26 East, Lee County, Florida, lying south of Alico Road, and being more particularly described as follows:

COMMENCE at the intersection of the West line of a Florida Power & Light easement (110 feet wide) as described in Official Records Book 221, page 191 of the Public Records of Lee County, Florida and the maintained South right-of-way line of Alico Road (100 feet wide); thence, along South right-of-way line of Alico Road (100 feet wide), N.88°59'33"E., 235.00 feet to an intersection with the East line of Florida Power & Light easement (125 feet wide) as described in Official Records Book 730, page 622 of the aforementioned Public Records; thence, along the East line of said Florida Power & Light easement (125 feet wide) as described in Official Records Book 730, page 622 of the aforementioned Public Records for the following two (2) courses:

1. S.00°50'47"E., 4,888.13 feet;
2. S.00°50'47"E., 4,718.17 feet

to an intersection with the North line of the South 890.43 feet of the West 565 feet of the aforementioned Section 18 and the **POINT OF BEGINNING**; thence, continue, along the East line of the aforementioned Florida Power & Light easement (125 feet wide) as described in Official Records Book 730, page 622 of the aforementioned Public Records for the following three (3) courses:

1. S.00°50'47"E., 888.10 feet;
2. S.00°50'13"E., 2,639.97 feet;
3. S.00°48'26"E., 2,645.82 feet

to the South line of the Southwest one-quarter of the aforementioned Section 19; thence, along said South line, S.89°21'56"W., 565.00 feet to the Southwest corner of the aforementioned Section 19; thence, along the West line of the Southwest one-quarter of the aforementioned Section 19, N.00°48'26"W., 2,643.97 feet; thence, along the West line of the Northwest one-quarter of the aforementioned Section 19, N.00°50'13"W., 2,639.78 feet; thence, along the West line of the Southwest one-quarter of the aforementioned Section 18, N.00°50'47"W., 890.44 feet to an intersection with the North line of the South 890.43 feet of the West 565 feet of the aforementioned Section 18; thence, along said North line N.89°23'43"E., 565.01 feet to the **POINT OF BEGINNING.**

Said parcel contains 80.081 acres, more or less.

as shown on that certain Boundary Survey — West FM Crockett, LLC prepared by Wilson Miller, Inc., dated 9/15/06, last revised 12/19/06, Drawing No. D-03552-93, containing the Stamp and Seal of Mark D. Haines, Florida Professional Surveyor and Mapper No. LS 5312.

THIS THIRD AMENDED AND RESTATED RENEWAL PROMISSORY NOTE (“NOTE”) AMENDS, RESTATES, RENEWS AND SUPERSEDES THAT CERTAIN SECOND AMENDED AND RESTATED RENEWAL PROMISSORY NOTE DATED SEPTEMBER 28, 2007 (THE “SECOND AMENDED NOTE”) EXECUTED BY GINN-LA NAPLES LTD., LLLP, A GEORGIA LIMITED LIABILITY LIMITED PARTNERSHIP (“GINN-LA NAPLES”), IN FAVOR OF ALICO-AGRI, LTD., A FLORIDA LIMITED PARTNERSHIP (“ALICO-AGRI, LTD.”), WHICH AMENDED, RESTATED, RENEWED AND SUPERSEDED THAT CERTAIN AMENDED AND RESTATED RENEWAL PROMISSORY NOTE DATED JULY 12, 2005 (THE “AMENDED NOTE”), EXECUTED BY GINN-LA NAPLES, IN FAVOR OF ALICO-AGRI, LTD., WHICH AMENDED, RESTATED, RENEWED AND SUPERSEDED THAT CERTAIN PROMISSORY NOTE DATED JULY 12, 2005 (“ORIGINAL NOTE”) EXECUTED BY GINN-LA NAPLES, IN FAVOR OF FIRST AMERICAN EXCHANGE COMPANY, LLC, A DELAWARE LIMITED LIABILITY COMPANY, IN THE ORIGINAL PRINCIPAL AMOUNT OF $56,610,000.00, AS ASSIGNED BY FIRST AMERICAN EXCHANGE COMPANY, LLC, TO ALICO-AGRI, LTD. PURSUANT TO THAT CERTAIN ASSIGNMENT OF MORTGAGE AND NOTE DATED OCTOBER 9, 2006, RECORDED ON OCTOBER 19, 2006, AT INSTRUMENT NO. 2006000400690 IN THE PUBLIC RECORDS OF LEE COUNTY, FLORIDA. ALICO-AGRI, LTD. REPRESENTS AND WARRANTS IT IS THE CURRENT HOLDER OF THE SECOND AMENDED NOTE, THE AMENDED NOTE AND THE ORIGINAL NOTE. ALL FLORIDA DOCUMENTARY STAMP TAXES AND INTANGIBLE PERSONAL PROPERTY TAXES DUE IN CONNECTION WITH THE ORIGINAL NOTE HAVE BEEN PREVIOUSLY PAID ON THE MORTGAGE DEED SECURING THE ORIGINAL NOTE RECORDED AT OR BOOK 4795, PAGE 2848 IN THE PUBLIC RECORDS OF LEE COUNTY, FLORIDA. NO FURTHER FLORIDA DOCUMENTARY STAMP TAXES OR INTANGIBLE PERSONAL PROPERTY TAXES ARE DUE.

THIRD AMENDED AND RESTATED RENEWAL PROMISSORY NOTE

Amount of Original Note:	$56,610,000.00
Amount of Note:	$54,107,668.20
Date of Original Note:	July 12, 2005
Effective Date of the Note:	September 28, 2008
Maker’s Name and Address:	**GINN-LA NAPLES LTD., LLLP** Ginn Development Company Attention: Edward R. Ginn, III 215 Celebration Place, Suite 200 Celebration, Florida 34747
Payee’s Name and Address:	**ALICO-AGRI, LTD.**, a Florida limited partnership P.O. Box 338 Labelle, Florida 33975 640 S. Main Street Labelle, Florida 33935

FOR VALUE RECEIVED, the undersigned (the “Maker”) promises to pay to the order of **ALICO-AGRI, LTD.**, a Florida limited partnership (“Payee”), at its principal office set forth above, or at such other place as Payee may from time to time designate to the Maker in writing, in legal tender of the United States, the amount of the Note (the “Principal Amount”) together with interest at the rates set forth below on the unpaid balance of the Principal Amount, as follows:

1. The Principal Amount remaining unpaid under this Note from time to time shall bear interest in arrears as follows: commencing on July 12, 2005, and continuing until September 27, 2009 the interest rate shall be HSH 30–day LIBOR (hereafter defined) plus 150 basis points per annum; commencing on September 28, 2009 and continuing until September 27, 2010, the interest rate shall be HSH 30-day LIBOR plus 200 basis points per annum; and commencing on September 28, 2010 and continuing until September 28, 2014 (the “Maturity Date”), the interest rate shall be HSH 30–day LIBOR plus 250 basis points per annum. As of September 28, 2006, a portion of the interest which had accrued as of that date in the amount of One Million Seven Hundred Seventeen Thousand Six Hundred Eighty-Eight and 20/100 Dollars ($1,717,688.20) (the “Principal Addition”) was added to the Principal Amount of the Original Note as of that date. For purposes of this Note, HSH 30-day LIBOR shall mean the 1-month HSH LIBOR rate published by HSH Associates Financial Publishers or, if such index is no longer published, another comparable 30-day LIBOR index reasonably selected by Payee. The interest rate on this Note shall be adjusted from and after the date of any change in HSH 30-day LIBOR.

2. As of September 28, 2007, all accrued interest on this Note not previously added to the Principal Amount of the Original Note in the amount of Six Million Fifty-Five Thousand and no/100 Dollars ($6,055,000.00) has been paid in full. After September 28, 2007, interest shall be payable quarterly on December 28, 2007, March 28, 2008, June 28, 2008, September 28, 2008, and each quarter thereafter until the Maturity Date and the entire Principal Amount and all interest have been paid in full.

3. Principal shall be due and payable as set forth in this Paragraph 3. As of September 28, 2006, Maker made a special principal payment (“Special Principal Payment”) on the Original Note in an amount of Three Million Seven Hundred Seventy-Five Thousand and no/100 Dollars ($3,775,000.00). As of September 28, 2007, Maker made a principal payment (the “Second Principal Payment”) on the Second Amended Note in the amount of Four Hundred Forty-Five Thousand and no/100 Dollars ($445,000.00). Due to the Special Principal Payment, the Principal Addition and the Second Principal Payment, the outstanding principal amount of this Note is $54,107,668.20. Maker shall make a principal payment (each, a “Minimum Annual Principal Payment”) on September 28th of the following years (each, an “Anniversary Date”) as follows: an amount equal to One Million Seven Hundred Eighty-Seven Thousand Three Hundred Eight and 44/100 Dollars ($1,787,308.44) on September 28, 2008; an amount equal to One Million and no/100 Dollars ($1,000,000.00) on each of September 28, 2009 and September 28, 2010; an amount equal to Four Million and no/100 Dollars ($4,000,000.00) on September 28, 2011; an amount equal to Eight Million and No/100 Dollars ($8,000,000.00) on September 28, 2012; an amount equal to Twelve Million and No/100 Dollars ($12,000,000.00) on September 28, 2013; and a final payment of the remaining unpaid balance of Principal Amount together

with all accrued and unpaid interest due on the Maturity Date. Notwithstanding the foregoing, in the event that Maker has at any time during any given year prior to any Anniversary Date, paid any or all of such year's Minimum Annual Principal Payment, then on the Anniversary Date of such year, Maker shall only be required to pay the balance due towards the Minimum Annual Principal Payment for such year which has not been paid as of the Anniversary Date. Additionally, in the event that Maker, in any given year, pays more than such year's Minimum Annual Principal Payment, then such credit balance shall be carried over to the next succeeding year and shall reduce the amount of the next year's Minimum Annual Principal Payment by the excess amount paid in the previous year. All such payments of principal shall be applied to the then outstanding principal balance of this Note provided all interest due and payable as of such date has been paid in full to Payee and, if not, such payments shall be applied first to interest and then to principal.

4. All payments of principal and interest shall be made in legal tender of the United States and shall be by wire transfer, cashier's check or other readily available funds acceptable to Payee.

5. Notwithstanding any provision to the contrary contained herein, Maker has the right to setoff against the next ensuing payments Maker is otherwise obligated to make hereunder, all costs and expenses of Maker specified in Section 5 of the Fourth Amendment (as defined herein).

6. This Note is secured by that certain Mortgage Deed, dated July 12, 2005, executed by Maker in favor of Payee, recorded on July 13, 2005 at OR Book 4795, page 2848 in the Public Records of Lee County, Florida, as amended by that certain First Amendment to Mortgage Deed, effective as of July 12, 2005, and recorded on December 22, 2006, in Instrument Number 2006000474156, of the Public Records of Lee County, Florida, that certain Second Amendment to Mortgage Deed effective September 28, 2007, executed by Maker in favor of Payee, recorded on October 22, 2007 in Instrument Number 2007000319331 of the Public Records of Lee County, Florida, that certain Third Amendment to Mortgage Deed dated as of December 27, 2007 and recorded on January 2, 2008 at Instrument No. 2008000000470 of the Public Records of Lee County, Florida, and that certain Amended and Restated Mortgage Deed dated September 28, 2008, executed by Maker in favor of Payee, to be recorded in aforesaid records (collectively, the "Mortgage") to which reference is hereby made for a description of the Mortgaged Property (as defined in the Mortgage), the nature and extent of the security, the rights of the Payee in respect thereof and the terms and conditions upon which this Note is issued.

7. If any principal, interest or other sums payable under this Note or under the Mortgage are not promptly paid when due and not cured within fifteen (15) days after written demand from Payee to Maker or if default be made by Maker in the performance of any other agreements, conditions or covenants contained herein or in the Mortgage, which nonmonetary default is not cured within thirty (30) days after written notice from Payee to Maker or if such nonmonetary default by its nature cannot be cured within thirty (30) days, Maker within said thirty (30) days has not commenced to cure said default and thereafter actually cured such default within six (6) months after such notice subject to force majeure, then the Principal Amount and accrued interest shall become due and payable immediately, at the option of the holder hereof. Failure to exercise this option shall not constitute a waiver of the right to exercise the same in the event of any subsequent default.

8. Maker agrees to pay all costs of collection of this Note including reasonable attorneys' fees, and all costs, expenses and attorneys' fees for any retrial, rehearing or appeals. Any and all sums due hereunder after a default beyond any applicable grace or cure period under this Note or under the Mortgage shall bear interest at the rate which is five percent (5%) higher than the rate of interest in effect under this Note at the time of such default from the date when such sums are due until paid. The interest payable or agreed to be paid hereunder shall not exceed the highest lawful rate of interest permitted in the State of Florida, and if, inadvertently, there is such excess sum, it shall be applied to reduce the Principal Amount or returned to Maker if this Note is then paid in full.

9. The Maker hereby waives presentment for payment, protest, notice, notice of protest and notice of dishonor and agrees to remain and continue to be bound for the payment of all sums due under this Note notwithstanding any renewals or extension of the time for payment of sums due hereunder or any changes by way of release, surrender or substitution of any security for this Note, and waive all and every kind of notice of such extensions or changes.

10. The Maker shall be exculpated from personal liability for payment of the indebtedness represented hereby and Payee, by acceptance hereof agrees that it shall not seek, be entitled to or enforce any deficiency judgment against Maker and that Payee's sole remedy shall be limited to its rights of repossession, foreclosure or sale of the Mortgaged Property as provided in the Mortgage and such other rights in or recourse to the property, both real and personal, hypothecated by Maker under the Mortgage.

11. Time is of the essence with respect to all obligations hereunder.

12. This Note shall be construed and enforced according to the laws of Florida. Venue for any action concerning this Note shall be in Lee County, Florida.

13. This Note may be prepaid in whole or in part at any time, without penalty, and any prepayment shall apply first to accrued interest that is due and payable and then to the Principal Amount.

14. This Note may not be changed orally, but only by an agreement in writing, signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

15. The words "Maker" and "Payee" shall include their respective successors, assigns, heirs, executors and administrators.

16. This Note has been entered into and delivered pursuant to that certain Third Amended and Restated Agreement for Purchase and Sale, dated August 29, 2003, by and between Maker and Payee, as amended by First Amendment to Third Amended and Restated Agreement for Purchase and Sale dated December 5, 2003, as amended by Second Amendment to Third Amended and Restated Agreement for Purchase and Sale dated February 18, 2004, as amended by that certain "1031 Exchange" Amendment to Third Amended and Restated Agreement for Purchase and Sale dated April 29, 2004, as amended by the Third Amendment to Third Amended and Restated Agreement for Purchase and Sale dated June 9, 2005 ("Third Amendment"), as amended by the Fourth Amendment to Third Amended and Restated Agreement for Purchase and Sale dated June 30, 2005 ("Fourth Amendment"), as amended by the Fifth Amendment to Third Amended and Restated Agreement for Purchase and Sale dated as of July 7, 2005, and as assigned in part to First American Exchange Company, LLC, a Delaware limited liability company, by Payee pursuant to that certain Assignment Agreement (Relinquished Property), dated July 8, 2005 (collectively, the "Purchase and Sale Agreement"). In the event of any conflict or inconsistency between any of the terms or provisions of this Note or the Mortgage with any of the terms or provisions of the Purchase and Sale Agreement, the terms and provisions of this Note or the Mortgage shall control.

17. This Note amends, renews, restates and supersedes the Second Amended Note in its entirety, which Second Amended Note had amended, renewed, restated and superseded the Amended Note in its entirety, which Amended Note had amended, renewed, restated and superseded the Original Note in its entirety. Maker and Payee acknowledge and agree that this Note shall not constitute a novation of the Second Amended Note, the Amended Note or the Original Note. Maker and Payee each hereby ratifies, confirms and approves this Note. Any references to the "Note" in any other document evidencing, securing or otherwise relating to the indebtedness evidenced by the Note shall mean and refer to this Note. This Note may be executed in several counterparts, each of which counterparts shall be deemed an original instrument and all of which together shall constitute a single promissory note.

[SIGNATURE PAGE COMMENCES ON FOLLOWING PAGE]

[SIGNATURE PAGE CONTINUED FROM PREVIOUS PAGE]

IN WITNESS WHEREOF, Maker and Payee each has caused its duly authorized agent to execute this Note on the date set forth below, but effective as of September 28, 2008.

"MAKER"

GINN-LA NAPLES LTD., LLLP,
a Georgia limited liability limited partnership

By: Ginn-Naples GP, LLC, a Georgia limited liability company,
its sole General Partner

By: ______________________
Name: ______________________
Title: ______________________
Date ______________________

[signatures to Third Amended and Restated Renewal Promissory Note
continue on following page]

[signatures to Third Amended and Restated Renewal Promissory Note continued from previous page]

"PAYEE"

ALICO-AGRI, LTD., a Florida limited partnership

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

By: ______________________
Name: ______________________
Title: ______________________
Date ______________________

WEST TERMINATION AGREEMENT

This West Termination Agreement ("Agreement") is made and entered into as of the 3rd day of October, 2008, by and among ALICO-AGRI, LTD., a Florida limited partnership ("Alico") and GINN-LA WEST FM, LTD., LLLP, a Georgia limited liability limited partnership ("Ginn").

W I T N E S S E T H:

WHEREAS, Ginn acquired the "Ginn West Option" as that term is defined in that certain Agreement dated the 28th day of September, 2006, by an among Alico, Ginn and other parties, which Agreement has been amended by that certain First Amendment to Agreement dated as of the 28th day of September, 2007, that certain Second Amendment to Agreement dated as of the 27th day of December, 2007, and the Extension Agreement dated as of September 28, 2008, all of which are collectively referred to herein as the "West Option Agreement"; and

WHEREAS, pursuant to the West Option Agreement, Ginn has the right to purchase the "Alico West Property" described in the West Option Agreement in accordance with the terms of the West Option Agreement; and

WHEREAS, Ginn desires to no longer have the rights and obligations pursuant to the West Option Agreement and is prepared to terminate its rights pursuant to the West Option Agreement.

NOW, THEREFORE, for Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties, intending to be legally bound, do agree as follows:

1. That Ginn's right pursuant to the Ginn West Option to purchase the Alico West Property is hereby terminated as of the 3rd day of October, 2008.

2. Ginn shall pay one-half of its prorata share of the 2008 real estate taxes on the Alico West Property through October 3, 2008, in the amount of $199,035.13 to Alico.

3. Other than the obligation to pay half of the prorated tax payment upon the execution of this Agreement, Ginn's right to exercise the Ginn West Option and any other related rights under the West Option Agreement are hereby terminated and neither Ginn nor Alico shall have any further rights or obligations pursuant to the West Option Agreement. Alico and Ginn hereby release each other, and their respective partners, officers, directors and affiliates, from any and all claims, demands, causes of action, counterclaims, rights of setoff or other actions that they may have arising from or relating to the Ginn West Option, the West Option Agreement or the Alico West Property, except as set forth in this Agreement.

4. Documents and Reports. Ginn shall supply to Alico copies of all documentation provided by third party consultants in their possession (other than attorney client materials and any internal memoranda or reports) relating to the Alico West Property to the extent not previously delivered to Alico, including, but not limited to, surveys, land planning materials, environmental reports, environmental clean up materials, entitlement information, existing conditions of fines, and the name of all consultants who could provide information and authorization for such consultants to reproduce copies of all materials relating to the Alico West Property, at Alico's expense, and to perform services if retained by Alico.

5. Notices. Any notices required or permitted to be given under this Agreement shall be in writing and shall be deemed given if delivered by hand, sent by recognized overnight courier (such as Federal Express), transmitted via facsimile transmission or mailed by certified or registered mail, return receipt requested, in a postage pre-paid envelope, and addressed as follows:

As to Alico:	Alico-Agri, Ltd. c/o Alico, Inc. Attn: Dan L. Gunter, President & CEO Mailing Address: Post Office Box 338, Labelle, FL 33975 Physical Address: 640 S. Main Street, Labelle, FL 33935 Telephone: 863-675-2966 Facsimile: 863-675-5799
With a copy to:	Alico, Inc. Attn: Don Schrotenboer, Vice President Real Estate Mailing Address: Post Office Box 338, Labelle, FL 33975 Physical Address: 640 S. Main Street, Labelle, FL 33935 Telephone: 863-675-5113 Facsimile: 863-675-5799
With a copy to:	Ruden McClosky et al. Attn: John L. Farquhar, Esq. 5150 Tamiami Trail North, Suite 502 Naples, FL 34103 Telephone: 239-659-1100 Ext. 7102 Facsimile: 954-333-4037
As to Ginn:	Ginn-LA West FM, LTD., LLLP Attn: Edward R. Ginn, III 215 Celebration Place, Suite 200 Celebration, Florida 34747 Telephone: 321-939-4700 Facsimile: 321-939-4800

With a copy to: Bruce A. Wobeck, Esquire
Morris, Manning & Martin, LLP
1600 Atlanta Financial Center
3343 Peachtree Road, N.E.
Atlanta, GA 30326
Telephone: 404-504-7739
Facsimile: 404-365-9532

With a copy to: John G. Morris, Esquire
Morris, Manning & Martin, LLP
1600 Atlanta Financial Center
3343 Peachtree Road, N.E.
Atlanta, GA 30326-1044
Telephone: 404-572-7722
Facsimile: 404-365-9532

With a copy to: Robert Gidel
The Ginn Company
215 Celebration
Place, Suite 200
Celebration, FL 32137
Telephone: 321-939-4771
Facsimile: 321-939-4800

unless the address is changed by the party by like notice given to the other parties. Notice given by hand delivery shall be deemed received on the date delivered if delivered on a business day during business hours, otherwise it shall be deemed delivered on the next business day. Notice given by certified or registered mail, return receipt requested, postage pre-paid, shall be deemed delivered three (3) days following the date mailed. Notice sent by recognized overnight courier (such as Federal Express) shall be deemed received on the next business day. Notices given by facsimile shall be deemed received if sent as confirmed by confirmation of transmission by telecopier retained by the sender shall be proof of such sending and it shall be deemed received at that time if such time is during business hours on a business day, otherwise it shall be deemed received on the next business day. Any notice refused shall be deemed to be accepted on the earlier of the time frame set forth in this notice provision or when actually refused. Counsel may give notice on behalf of the parties.

6. This Agreement shall be construed and governed in accordance with laws of the State of Florida and in the event of any litigation hereunder, the venue for any such litigation, shall be exclusively in Lee County, Florida. All of the parties to this Agreement have participated fully in the negotiation and preparation hereof and, accordingly, this Agreement shall not be more strictly construed against any one of the parties hereto.

7. In the event any provision of this Agreement is determined by appropriate judicial authority to be illegal or otherwise invalid, such provision shall be given its nearest legal meaning or reconstrued as such authority determines, and the remainder of this Agreement shall be construed to be in full force and effect.

8. In the event of any litigation between the parties under this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees and court costs through all trial, appellate levels and post-judgment proceedings. The provisions of this paragraph shall survive any termination or cancellation of this Agreement.

9. In construing this Agreement, the singular shall be deemed to include the plural, the plural shall be deemed to include the singular and the use of any gender shall include every other gender and all captions and Paragraph and or Section headings shall be discarded and the terms Section or Paragraph may be used interchangeably.

10. This Agreement constitutes the entire agreement between the parties for the termination of the Ginn West Option, and supersedes any other agreement or understanding of the parties with respect to such matters. This Agreement may not be changed, altered or modified except in a writing signed by the party against whom enforcement of such a change would be sought. This Agreement shall be binding upon the parties hereto and their respective permitted successors and assigns.

11. No waiver of any provision of this Agreement shall be effective unless it is in writing, signed by the party against whom it is asserted and any such written waiver shall only be applicable to the specific instance to which it relates and shall not be deemed to be a continuing or future waiver.

12. This Agreement shall be dated as of October 3, 2008, and shall be effective when signed by all of the parties to this Agreement and a fully executed Agreement has been delivered to all parties.

13. This Agreement, and any subsequent amendments hereto, may be executed in any number of counterparts, each of which, when executed, shall be deemed to be an original, and all of which shall be deemed to be one and the same instrument. Facsimile transmission signatures or other copies shall have the same validity as original signatures.

14. Each of the parties hereto agree to execute, acknowledge and deliver and cause to be done, executed, acknowledged and delivered all such further acts, assignments, transfers and assurances as shall reasonably be requested of it in order to carry out this Agreement and give effect thereto.

[SIGNATURE PAGE COMMENCES ON FOLLOWING PAGE]

[SIGNATURE PAGE CONTINUED FROM PREVIOUS PAGE]

IN WITNESS WHEREOF, the parties have executed this Agreement the day and year first above written.

Signed, sealed and delivered
in the presence of:

SELLER:

ALICO-AGRI, LTD., a Florida limited partnership

By: ALICO, INC., a Florida corporation
Its: General Partner

By: ______________________________
DAN L. GUNTER, CEO & President

____
Printed Name: ______________________________

____
Printed Name: ______________________________

(CORPORATE SEAL)

GINN:

GINN-LA WEST FM LTD., LLLP, a Georgia limited liability limited partnership

By: GINN-WEST FM GP, LLC, a Georgia limited liability company, its General Partner

By: ______________________________
Printed Name: ______________________________
Title: ______________________________

____
Printed Name: ______________________________

____
Printed Name: ______________________________

(CORPORATE SEAL)

Exhibit 14.1

ALICO, INC.
CORPORATE PRINCIPLES AND POLICIES
(“Code of Ethics”)

Preamble

Alico, Inc. (“Alico” or the “Company”) has always insisted that its employees, officers and directors maintain the highest level of integrity in their dealings with each other and with the public on behalf of the Company. This Code of Business Conduct and Ethics (the “Code”) is intended to document some of the specific principles of conduct and ethics which will be followed by Alico’s directors, officers and employees in the performance of their responsibilities with respect to the Company’s business. The purpose of the Code is to:

- Promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- Promote full, fair, accurate, timely and understandable disclosure to the public, including Alico’s periodic reports required to be filed with the Securities Exchange Commission;
- Promote compliance with applicable governmental rules and regulations;
- Provide guidance to directors, officers and employees to help them recognize and deal with ethical issues;
- Provide a mechanism to report questionable, dishonest or unethical conduct;
- Help foster a culture of honesty, civility and accountability.

Alico’s directors have committed that they will comply at all times with the principles set forth in this Code and they expect each of Alico’s officers and employees to do likewise. A violation is grounds for disciplinary action up to and including discharge and possible legal prosecution.

Article I. Ethical Conduct

1. Each director, officer and employee of the Company will at all times deal fairly with Alico’s customers, suppliers, partners, stockholders and employees, and will conduct business activities and operations in an ethical manner and in compliance with all applicable laws, rules, regulations and Company policies and with the standards set forth in this Code.

2. Each director, officer and employee will:

    a. Avoid all conflicts of interest between his/her personal and professional relationships; provided, however, that if any person or entity suggests some activity, transaction, relationship, or that such person or entity enter into a business situation that places or appears to place any director, officer or employee in a conflict of interest situation, such conflict or potential conflict must be immediately and fully disclosed to the Company's Board of Directors and/or the Company's Audit Committee prior to any commitment by the Company with respect thereto and the conflict should be dealt with in accordance with our Board's procedures for handling disclosed potential conflicts as set forth in Article III below;

    b. Provide, or cause to be provided, full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with, or submits to, the Securities and Exchange Commission ("SEC") and in other public communications made by the Company;

    c. Comply, and take reasonable actions to encourage others within the Company to comply, with applicable governmental laws, rules and regulations;

    d. Promptly report violations of this Code as required and specified in the Reporting Procedures developed by Alico's Audit Committee (see Exhibit A. attached to this document); and

    e. Promote accountability and adherence pursuant to this Code.

3. Company records must at all times be prepared accurately and maintained properly, in accordance with Alico records management policies as well as all applicable laws, rules and regulations. No false, misleading, artificial or deceptive entries may be made in the Company's records for any reason. The simple rule of thumb is that the Company's books must accurately, fully and fairly reflect the transactions and activities that have occurred.

4. The Company records belong to the Company. Therefore, the Company records should not be removed from the Company property except for a legitimate business reason, and any documents so removed should be returned to the Company as soon as is practical. Accounting procedures, processes and controls are prescribed by Company policies. Within these policies, the senior officers of Alico have the primary responsibility for establishing and monitoring adequate systems of internal accounting and controls in accordance with sound accounting principles. All employees must adhere to these controls. The Company's auditors will be asked from time to time to monitor and report upon these internal controls. Alico employees are required to cooperate completely, fully and forthrightly with the Company's internal auditors and accountants, external independent auditors, and with Alico's Audit Committee. No employee, officer or director may engage in, permit, or conceal any financial or bookkeeping irregularity, deceptive act or attempt to mislead.

Article II. Compliance with Laws, Rules and Regulations

1. Alico's employees must comply, at all times and in all material respects, with all applicable laws, rules and regulations.

2. Alico's directors, officers and employees who are in possession of material, non-public information must refrain from (i) buying or selling securities, either personally or on behalf of others on the basis of such information, (ii) using such information for personal gain and (iii) disclosing such information to anyone outside the Company who does not require such information for business purposes in the performance of their services to the Company. Material, non-public information is factual information that a reasonable investor would want to know before making an investment decision to buy or sell the Company's securities and that has not been disclosed to the public.

Article III. Disclosure of Conflicts of Interest and Board Procedures for Resolution of the same.

1. Directors, officers and employees have a primary business responsibility to the Company and must take all reasonable actions necessary to avoid conflicts of interest or the appearance of conflicts of interest. A conflict of interest occurs when an individual's private interest is detrimental or adverse to the interests of the Company as a whole. Examples of situations involving a conflict of interest include but are not limited to: (i) conducting business with a firm owned, partially owned or controlled by a director, officer, or employee or a relative of such person; (ii) owning a financial interest in Alico's vendors, customers, or competitors (ownership of less than 1% of the stock of a publicly traded company that competes or does business with Alico is permissible); (iii) performing work, with or without compensation, for a competitor, governmental or regulatory entity, customer or supplier of Alico, or doing any work for a third party that may adversely affect your performance or judgment on the job or diminish your ability to devote the necessary time and attention to Company-related duties; (iv) using Company property, materials, supplies funds or other resources for personal purposes. These situations and others like them, where loyalties to Alico could be compromised, must be avoided. If you believe that you are involved in a potential conflict of interest, you must discuss it with your supervisor and report it to our chief legal officer, to the Board of Directors or to the Audit Committee of the Board.

2. The chief legal officer and/or the chief financial officer shall file a report with Alico’s Board of Directors of any reported conflicts or potential conflicts, including a statement as to the resolution if any of such conflict. Conflicts that are unresolved or that otherwise need to be considered by the Board shall be placed on the agenda for the next Board meeting. If the potential conflict involves a member of Alico’s Board of Directors, such member shall abstain from participating in the resolution of such conflict by the Board or by any special committee to which the Board may refer such matter. Disclosed conflicts of interest or potential conflicts of interest will not be considered to violate our conflicts policy if and only if Alico’s Board less any member who may have a conflict of interest with regard to the matter under consideration or a special independent committee of Alico’s board to whom review of such conflict has been referred, has determined that the activity which gives rise to the disclosed conflict of interest or potential conflict of interest is none-the-less in the best interest of the Company and is fair to the Company and its stockholders.

Article IV. Corporate Opportunities

1. No director, officer or employee shall: (i) take for himself or herself personally any opportunity which he or she becomes aware of through the use of Company property, information or position when such opportunity could be of benefit or interest to the Company, unless the Company has expressly decided not to attempt to take such opportunity; (ii) make it possible for others to take any opportunity which he or she becomes aware of through the use of Company property, information or position when such opportunity could be of benefit or interest to the Company, unless the Company has expressly decided not to attempt to take such opportunity; (iii) use Company property, information or position for personal gain; or (iv) compete with the Company in any material or substantive manner.

Article V. Confidentiality

1. Directors, officers and employees must maintain inviolable confidentiality of all information entrusted to them by the Company, unless disclosure is authorized by the Company or legally required. Confidential information includes all information relating to the Company that may be of use to the Company’s competitors and that is not otherwise public information or information that has been entrusted to the Company by its customers, vendors or others that have a relationship with the Company. Directors, officers and employees shall comply with all confidentiality policies adopted by the Company from time to time, and with confidentiality provisions contained in agreements to which they or the Company is a party.

Article VI. Company Assets

1. Directors, officers and employees shall take reasonable steps to protect the Company’s assets and ensure their efficient use. Directors, officers and employees shall use the Company’s assets only for the Company’s legitimate business purposes.

Article VII. Reporting Violations

1. The Audit Committee of Alico's Board of Directors has established several alternatives and options for any director, officer and employee seeking compliance advice or wanting to report any misconduct or violations of this Code. You can contact your supervisor; Alico's chief legal officer or chief financial officer; Alico's Audit Committee Chairman, Phillip S. Dingle, Managing Partner, HealthEdge Investment Partners, LLC, 100 South Ashley Drive, Suite 650, Tampa, FL 33602; Alico's outside legal counsel, David C. Shobe, Esq., Fowler White Boggs Banker P.A., 501 East Kennedy Blvd., Suite 1700, Tampa, Florida 33602; or you can place a report to our specially designated Compliance Reporting Post Office Box 339, LaBelle, Florida, on an identified or anonymous basis or call Alico's Compliance Hotline at 877-778-5463 which is staffed by independent third parties. The procedures for handling compliance reports and questions as adopted by the Audit Committee from time to time are attached to this Code as Exhibit A.

2. Anyone who seeks advice, raises a concern or reports misconduct or a violation of this Code is following the requirements of this Code and the desires of Alico's Board of Directors. We encourage such action. Call Alico's Compliance Hotline if you suspect or have reason to believe there is a problem. Retaliation against anyone who makes a good faith report of misconduct is illegal and will not be tolerated. We will take appropriate disciplinary action, including severance from the Company, against any individual or individuals who engage in improper retaliatory conduct.

Article VIII. Amendment to, or Waiver of, this Code

1. Any amendment to, or waiver of, any provision of this Code with regard to any director, officer or employee must be approved by the Board. In the event that members of the Board will be personally affected by a waiver of this Code, such waiver shall be approved by a committee consisting entirely of members of the Board who will not be personally affected by such waiver.

2. No amendment to, or waiver of, this Code will be effective until the waiver has been reported to the person responsible for the preparation and filing of the Company's current reports on Form 8-K, in sufficient detail to enable such person to disclose accurately such amendment or waiver in the current report on Form 8-K if necessary. The Company shall promptly disclose on Form 8-K, by filing such form with the SEC, any amendment to, or waiver of, this Code that applies to the Company's directors or executive officers.

THE INFORMATION PROVIDED AND PROCEDURES SET FORTH IN THIS PUBLICATION DO NOT CONFER CONTRACTUAL RIGHTS OF ANY KIND UPON ANY EMPLOYEE OR THIRD PARTY OR CREATE CONTRACTUAL OBLIGATIONS OF ANY KIND FOR ALICO, INC.

Exhibit 14.2

Exhibit A
Whistleblower Policy

Procedures for the Submission of Complaints or Concerns regarding Financial Statement or other Disclosures, Accounting, Internal Accounting or Disclosure Controls, Auditing Matters or violations of the Alico, Inc., Code of Business Ethics and Conduct

Section 301 of the Sarbanes-Oxley Act requires the Audit Committee of the Board of Directors of Alico, Inc. (the "Company") to establish procedures for: (a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (b) the submission by employees of the Company and others, on a confidential and anonymous basis, of good faith concerns regarding questionable accounting or auditing matters.

In accordance with Section 301, the Audit Committee has adopted the following procedures:

1. The Company shall promptly forward to the Audit Committee any complaints that it has received regarding financial statement disclosures, accounting, internal accounting or disclosure controls or auditing matters, disclosure violations or violations of its Code of Business Conduct and Ethics.

2. Any employee of the Company may submit, on a confidential, anonymous basis if the employee so desires, any good faith concerns regarding financial statement or other disclosure, accounting, internal accounting or disclosure controls, auditing matters or violations of the Company's Code of Business Conduct and Ethics. All such concerns shall be set forth in writing and forwarded in a sealed envelope to the Chairman of the Audit Committee in an envelope labeled with a legend such as: "To be opened by the Audit Committee only. Being submitted pursuant to the "whistleblower policy" adopted by the Audit Committee." If an employee would like to discuss any matter with the Audit Committee, the employee should indicate this in the submission and include a telephone number at which he or she might be contacted if the Audit Committee deems it appropriate. Any such envelopes received by the Company's Chairman, Lead Director or outside counsel shall be forwarded promptly and unopened to the chairman of the Audit Committee. If the employee prefers an alternative method of contact, the employee may contact the Company's "Employee Whistleblower Hotline" using the contact information set forth below or may mail a complaint as indicated above to the Company's Employer Whistleblower post office box using the address listed below.

3. Following the receipt of any complaint submitted hereunder, the Audit Committee will investigate each such matter so reported and take corrective and disciplinary actions, if appropriate, which may include, alone or in combination, a warning or letter of reprimand, demotion, loss of merit increase, loss of bonus or stock options, suspension without pay or termination of employment.

4. The Audit Committee may enlist committee members, Board members, employees of the Company and/or outside legal, accounting or other advisors, as appropriate, to conduct any investigation of complaints regarding financial statement disclosures, disclosure concerns or violations, accounting, internal accounting controls, auditing matters or violations of the Company's Code of Business Conduct and Ethics. In conducting any investigation, the Audit Committee shall use reasonable efforts to protect the confidentiality and anonymity of the complainant.

5. The Company does not permit retaliation of any kind against employees for complaints submitted hereunder that are made in good faith. Additionally, no employee shall be adversely affected because the employee refuses to carry out a directive which, in fact, constitutes corporate fraud, or is a violation of state or federal law or of the Company's Code of Business Conduct and Ethics.

6. The Audit Committee shall retain as a part of the records of the Audit Committee any such complaints or concerns for a period of no less than seven (7) years.

7. Problems or concerns related to financial statement or other disclosures, accounting, internal or disclosure controls, auditing matters or questions, disclosure violations or violations of the Company's Code of Business Conduct and Ethics, which an employee wishes to discuss or report on a non-confidential or non-anonymous basis, should be reported immediately to the Company's Chairman, Lead Director or Audit Committee Chairman using the contact information specified below, or if the employee is uncomfortable reporting to such person, to the Company's outside legal counsel using the contact information specified below.

8. The Chairman, Lead Director or outside counsel, as the case may be, shall keep a written record of all such reports or inquiries and make monthly reports of the same to the Chairman of the Audit Committee in any month in which an inquiry or complaint is received. If the contact is in the nature of an alleged violation of the Company's Code of Conduct and Ethics or an impropriety with regard to the Company's financial statements or other disclosures, accounting, internal or disclosure controls, or auditing matters, the allegation shall immediately be relayed by the Chairman, Lead Director, or the Company's outside legal counsel, to the Chairman of the Audit Committee, who shall immediately notify the complainant that the complaint has been received and begin the procedures outlined above.

Contact Information:

Audit Committee Chairman:
Phillip S. Dingle
Managing Partner
HealthEdge Investment Partners, LLC
100 South Ashley Drive, Suite 650
Tampa, FL 33602
813-490-7100 phone

Outside Legal Counsel
David C. Shobe, Esq.
Fowler White Boggs Banker P.A.
501 East Kennedy Blvd.
Suite 1700
Tampa, FL 33602
813-222-1123

Whistleblower Hotline
877-778-5463

Whistleblower Post Office Box
P O Box 339
LaBelle, FL 33975
Online

www.reportit.net
Username: alicoinc
Password: alco

Exhibit 31.1

CERTIFICATIONS

I, Steven M. Smith, certify that:

1. I have reviewed this annual report on Form 10-K of Alico, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of 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, 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 the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) 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 the registrant 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 the registrant, 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 the registrant'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 the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):

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.

Date: December 15, 2008

By: /s/ Steven M. Smith
Steven M. Smith
Principal Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Patrick W. Murphy, certify that:

1. I have reviewed this annual report on Form 10-K of Alico, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of 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, 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 the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) 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 the registrant 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 the registrant, 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 the registrant'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 the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):

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.

Date: December 15, 2008

By: /s/ Patrick W. Murphy
Patrick W. Murphy
Chief Financial Officer

Exhibit 32.1

CERTIFICATION

In connection with this Annual Report of Alico, Inc. (the "Company") on Form 10-K for the period ended September 30, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Principal Executive Officer of the Company hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002 that: 1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered in the Report.

Date: December 15, 2008

By: /s/ Steven M. Smith
Steven M. Smith
Principal Executive Officer

Exhibit 32.2

CERTIFICATION

In connection with this Annual Report of Alico, Inc. (the "Company") on Form 10-K for the period ended September 30, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Chief Financial Officer of the Company hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002 that: 1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered in the Report.

Date: December 15, 2008

By: /s/ Patrick W. Murphy
Patrick W. Murphy
Chief Financial Officer