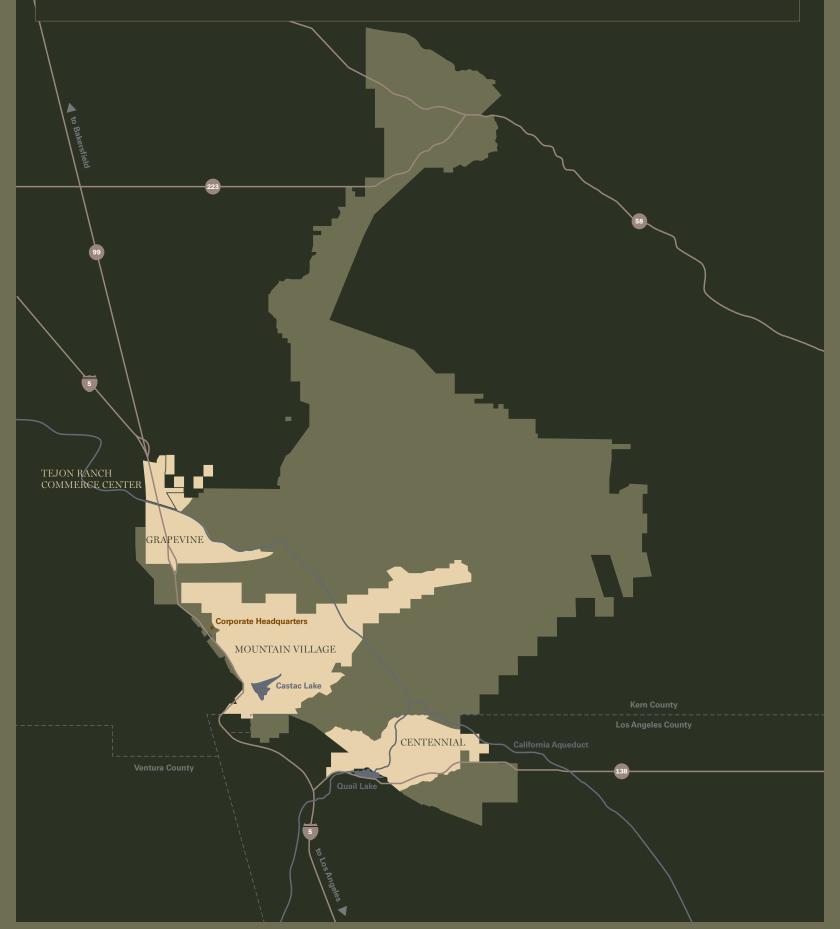


#### UNLOCKING VALUE TEJON RANCH CO.

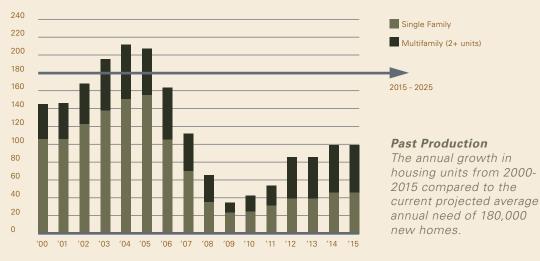
270,000 ACRES OF CONTIGUOUS LAND 15.1 M SQ.FT. OF MONETIZABLE NDUSTRIAL SPACE 350,000 SQ. FT. F MONETIZABLE COMMERCIAL/ RETAIL SPACE IN TRCC 34,783 RESIDENTIAL UNITS IN MPCs 15.4 M SQ.FT. OF COMMERCIAL SPACE IN MPCs



#### 1.8 Million Homes Needed by 2025

From 2015-2025, approximately 1.8 million new housing units are needed to meet projected population and household growth, or 180,000 new homes annually. The California Department of Housing and Community Development (HCD), in consultation with the California Department of Finance, determines the State's housing need for a 10-year period, based upon Department of Finance population projection and demographic household formation data.





## TO OUR VALUED SHAREHOLDERS

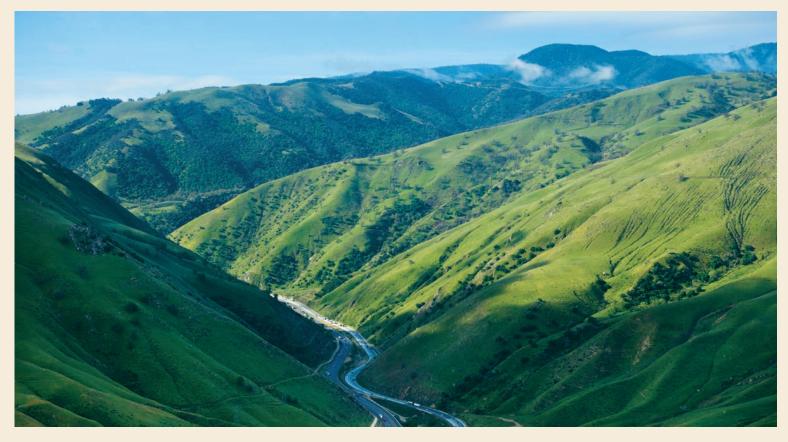


#### Where Growth is Expected Through 2025

Source: 2015-2025 Projected New Households from HCD Analysis of State of California, Department of Finance State and County Projections of Households, Household Populations, Group Quarters, and Persons per Household 2010-2030 – Based on Baseline 2013 Population Projection Series. Driving north on Interstate 5 from Los Angeles, the sky opens up almost immediately as you pass through the densely populated San Fernando and Santa Clarita Valleys into the mountains that make up the Angeles National Forest. A quick half hour later, the southern rim of Tejon Ranch begins to fill in, the highway draws near our headquarters, through the Grapevine and down into the San Joaquin Valley.

The distance traveled covers much of the western boundary of the 270,000 acres that make up Tejon Ranch, and the diversity in landscape, commerce and community you see from the highway, parallel the core assets of our company. As a diversified real estate development and agribusiness, our land is tied to how we are unlocking asset value. In 2016, each of the company's five business segments: Commercial/Industrial Real Estate, Resort/Residential Real Estate, Mineral Resources, Farming, and Ranch Operations, played an integral role in driving value for the company. The progress we are making with our large-scale master planned real estate developments aligns with the continued traction we are experiencing at the Tejon Ranch Commerce Center (TRCC), our 1,450-acre commercial/industrial development. The steady cash flow generated from our commercial division, our mineral resources, and farming operations serves as a solid foundation for supporting the development of our real estate assets.

Demand for economic development and housing continues to rise throughout our region, and the trajectory for population



growth is headed in our direction. California's population is expected to increase almost 30 percent to 50 million during the next three decades, and nearly half of those residents will live in Southern California. The challenge is where will they all live? California is perhaps the most highly regulated state in the nation and has created a series of barriers that are contributing to a severe housing shortage. Tejon Ranch is answering that challenge through our resources, knowledge and vast experience.

#### **Solid Progress**

That's why our strategy focuses on the development of large scale residential and mixed use communities. We have honed our expertise over the years navigating California's complex regulatory landscape, and we believe we have a formula in place that puts shovels in the ground effectively. The process entails securing local entitlements, obtaining state and federal permits to develop the land, producing detailed tract maps showing exact locations of lots and systems infrastructure, which sets the stage to apply for permits to commence construction.

While none of this happens overnight, and working through regulatory requirements may ultimately take a decade or more from start-to-finish before we can break ground on a development, each of our residential communities – Mountain Village, Grapevine, and Centennial – is well positioned and making solid progress toward beginning construction. ABOVE: Interstate 5 as it winds through Grapevine Canyon. Tejon Ranch owns 16 miles of freeway frontage along I-5.



ABOVE: Part of the development area for our master planned community of Grapevine, which was approved by the Kern County Board of Supervisors in December 2016. We are very excited about the stage we've entered with Mountain Village, which is in the final phase of the regulatory process. The property is fully entitled and important state and federal permits have been secured. The Board of Directors has approved our business plan and tentative tract maps have been submitted to Kern County. Once approved, we can move forward with the final steps to begin construction. The community is entitled for 3,450 homes, 750 hotel keys and approximately 160,000 commercial square feet, offering owners and guests a wide variety of high quality and much-desired amenities, as well as a robust technology infrastructure to ensure people stay connected.

In 2016, we also made excellent progress with our Grapevine development, which

is located along Interstate 5 adjacent to TRCC at the base of the foothills in the San Joaquin Valley. The Kern County Board of Supervisors unanimously approved the master planned community that includes 12,000 residential units and 5.1 million square feet of commercial space. Local entitlement has been secured and we are now preparing the necessary permit applications for submittal to the state.

Grapevine will provide housing options for the thousands of people currently employed at TRCC businesses. All of the homes and commercial buildings in the community will include solar panels, consistent with Tejon Ranch's commitment to sustainable development. Grapevine will be designed in a way that promotes water efficiency,



OPPOSITE: Tejon Ranch built and opened a new multi-tenant building in 2016 which houses two fast casual restaurants—Habit Burger and Baja Fresh.

and that provides an extensive network of bike and walking trails.

The Ranch's southern-most masterplanned development is Centennial, a Los Angeles County-based property that will help address the region's housing needs, while also embracing economic development, sustainability and conservation. In 2017, Los Angeles County is expected to circulate an environmental impact report and process the community's Specific Plan for county approval, a plan that includes 19,333 residential units and 10.1 million square feet of commercial space. In 2015, we received approval from the Los Angeles County Board of Supervisors, providing land use designations in the county's General Plan and zoning for the property. In addition to much-needed housing, our

vision for Centennial includes business districts, schools, retail and entertainment centers, medical facilities and other commercial offices, in addition to light industrial businesses that, when complete, would create a substantial number of jobs.

Even as we work to address the need for more housing in the state, we have also been steadfast to maintain our conservation heritage. You'll recall, in 2008 we entered into a voluntary agreement with a number of major environmental groups to provide for significant conservation while still preserving the Company's real estate development and value creation activities. As we progress in those efforts, it is particularly important to note that this agreement and Tejon Ranch's holistic approach is supported by key regulatory agencies in the state.

UNLOCKING VALUE



#### **Strategic Development**

The progress we are making with our resort and residential developments demonstrates our commitment to unlocking value and monetizing tens of thousands of acres of raw California land. Our commercial and industrial development at TRCC is a key aspect of how we are executing our strategic vision as a fully integrated real estate company.

Annual recurring revenues from TRCC have increased 47% over the last three years. A significant contributor to that growth: joint ventures we form with complementary real estate developers. In 2016, we signed two joint venture agreements with Majestic Realty Co., the country's largest privately-held industrial developer, one to purchase an existing building at TRCC, the other to build a 480,000-square-foot spec industrial building on the east side of the development. Grading for the building is underway. Headquartered in Southern California, Majestic is a major force across the nation, with a portfolio of about 78 million square feet of industrial, office and retail space, as well as sports, entertainment and hospitality projects.

We have three joint ventures with the Rockefeller Group; perhaps most visible from Interstate 5 is our award-winning Outlets at Tejon shopping center. That's where you'll find a great collection of stores, including Polo Ralph Lauren Factory Store, Pottery Barn Outlet and Coach. Additionally last year, we completed the sale of land for the building of ABOVE: The continued growth at TRCC is evidence of how we are successfully executing our strategy to unlock the value of our land.



ABOVE: Artist's rendering of the 480,000 sq.ft. spec building being developed in partnership with Majestic Realty. The building should be ready for occupancy before the end of the year. a Hampton Hotel adjacent to the Outlet center, and our joint venture with Travel Centers of America, or TA/Petro, now includes two travel and truck stops and five gas stations with convenience stores.

TRCC is also home to major distribution centers for Ikea, Caterpillar, Famous Footwear and Dollar General, as well as a number of food retailers, including McDonalds, Chipotle and Baja Fresh, which opened last summer. Starbucks reports it's the location of their topperforming store in California—one of the top five in the country. All of the activity at TRCC equates to recurring revenue streams that support our future growth and development.

#### **Diversified Operations**

The diversity of operations at Tejon Ranch is a distinguishing characteristic that allows us to generate steady cash flow to fuel investment in entitlement and the development of real estate assets. In 2016, farming revenue accounted for \$18.65 million and mineral resources for \$14.15 million. Our farming operations consist of growing wine grapes, almonds, pistachios and hay.

The minerals side of our business includes oil and gas royalties, rock and aggregate royalties, the leasing of a cement operation and the management of water assets. Our water assets have become an important aspect of future value creation as we continue to demonstrate that we own and/or control the resources needed to support the growth of the Company's real estate developments.



OPPOSITE: Traffic continues to increase on Interstate 5, making Tejon Ranch visible to millions of people.

#### **Solid Foundation**

These attributes contribute to a solid foundation that puts Tejon Ranch in a position of strength to capitalize on its real estate assets. From a financial perspective, that means having the right capital structure in place to invest in core business segments and achieve profitable future growth.

At December 31, 2016, we had approximately \$28.0 million in cash and securities and \$22.3 million available on our revolving line of credit to meet short-term investing needs. We will continue to explore partnerships and other financing options to further enhance the company's strong balance sheet. By the time you read this letter, wildflowers will be in bloom throughout Tejon Ranch. More progress will have been made on our master planned communities. And more than 20 million people will have driven through the Tejon Ranch Commerce Center since the beginning of the year.

Words can only describe the transformation we're experiencing at Tejon Ranch, and I encourage you to visit us to see it firsthand.

Thank you for your continued support as we make substantial progress in unlocking asset value.

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**Gregory S. Bielli** President & CEO



# FINANCIAL HIGHLIGHTS

ТЕЈОN RANCH CO.



### CONSOLIDATED BALANCE SHEETS

		December 31
(\$ in thousands)	2016	2015
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,258	\$ 1,930
Marketable securities - available-for-sale	26,675	32,815
Accounts receivable	8,740	6,511
Inventories	3,084	3,517
Prepaid expenses and other current assets	4,458	4,120
Total current assets	44,215	48,893
Real estate and improvements - held for lease, net	20,026	21,942
Real estate development (includes \$89,381 at December 31, 2016 and \$84,194 at		
December 31, 2015, attributable to Centennial Founders, LLC, Note 17)	248,265	235,466
Property and equipment, net	46,034	44,469
Investments in unconsolidated joint ventures	33,803	30,680
Long-term water assets	42,413	43,806
Deferred tax assets	2,282	4,659
Other assets	2,663	2,004
TOTAL ASSETS	\$ 439,701	\$ 431,919
LIABILITIES AND EQUITY		
Current Liabilities:		
Trade accounts payable	\$ 2,415	\$ 3,252
Accrued liabilities and other	3,188	3,492
Income taxes payable		1,237
Deferred income	1,529	1,525
Revolving line of credit	7,700	
Current maturities of long-term debt	3,853	815
Total current liabilities	18,685	10,321
Long-term debt, less current portion	69,853	73,223
Long-term deferred gains	3,662	3,816
Other liabilities	13,034	13,251
Total liabilities	105,234	100,611
Commitments and contingencies		
Equity:		
Tejon Ranch Co. Stockholders' Equity		
Common stock, \$0.50 par value per share:		
Authorized shares - 30,000,000		
Issued and outstanding shares - 20,810,301 at December 31, 2016 and 20,688,154 at		
December 31, 2015	10,405	10,344
Additional paid-in capital	229,762	216,803
Accumulated other comprehensive loss	(6,239)	(6,902)
Retained earnings	71,947	71,389
Total Tejon Ranch Co. Stockholders' Equity	305,875	291,634
Non-controlling interest	28,592	39,674
Total equity	334,467	331,308
Total Liability and Equities	\$ 439,701	\$ 431,919

### CONSOLIDATED STATEMENTS OF INCOME

		December 31	
(\$ in thousands, except per share amounts)	2016	2015	2014
REVENUES:			
Real estate - commercial/industrial	\$ 9,438	\$ 8,272	\$ 7,845
Mineral resources	14,153	15,116	16,255
Farming	18,648	23,836	23,435
Ranch operations	3,338	3,923	3,534
Total revenues	45,577	51,147	51,069
Costs and Expenses:			
Real estate - commercial/industrial	7,100	6,694	7,206
Real estate - resort/residential	1,630	2,349	2,608
Mineral resources	7,796	7,396	6,418
Farming	18,673	18,984	16,250
Ranch operations	5,734	6,112	5,998
Corporate expenses	12,550	12,808	10,646
Total expenses	53,483	54,343	49,126
Operating (loss) income	(7,906)	(3,196)	1,943
Other Income:			
Gain on sale of real estate	1,044		
Investment income	457	528	696
Other income	158	381	526
Total other income	1,659	909	1,222
(Loss) income from operations before equity in earnings of			
unconsolidated joint ventures	(6,247)	(2,287)	3,165
Equity in earnings of unconsolidated joint ventures, net	7,098	6,324	5,294
Income before income tax expense	851	4,037	8,459
Income tax expense	336	1,125	2,697
Net income	515	2,912	5,762
Net (loss) income attributable to non-controlling interest	(43)	(38)	107
Net income attributable to common stockholders	\$558	\$ 2,950	\$ 5,655
Net income per share attributable to common stockholders, basic	\$ 0.03	\$ 0.14	\$ 0.27
Net income per share attributable to common stockholders, diluted	\$ 0.03	\$ 0.14	\$ 0.27

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year Ende	ed Decei	mber 31
(\$ in thousands)	2016	2015		2014
Net income	\$ 515	\$ 2,912	\$	5,762
Other comprehensive income/(loss):				
Unrealized loss on available-for-sale securities	62	(188)		(208)
Benefit plan adjustments	(371)	(1,301)		(3,168)
Benefit plan reclassification for losses included in net income		536		407
SERP liability adjustments	214	234		(1,003)
Equity in other comprehensive income of unconsolidated joint venture				
Unrealized interest rate swap gains/(losses)	1,040	678		(2,227)
Other comprehensive income (loss) before taxes	945	(41)		(6,199)
Benefit (provision) for income taxes related to other comprehensive loss items	(282)	38		2,644
Other comprehensive (loss) income	663	(3)		(3,555)
Comprehensive income	1,178	2,909		2,207
Comprehensive (loss) income attributable to non-controlling interests	(43)	(38)		107
Comprehensive income attributable to common stockholders	\$ 1,221	\$ 2,947	\$	2,100

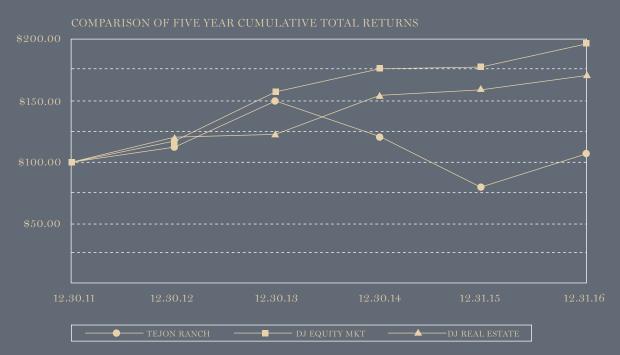
## CONSOLIDATED STATEMENTS OF EQUITY

				Accumulated				
	Common		Additional	Other		Total	Non-	
	Stock Shares	Common	Paid-In Co	omprehensive	Retained S <sup>.</sup>	tockholders'	controlling	Total
(\$ in thousands)	Outstanding	Stock	Capital In	come (Loss)	Earnings	Equity	Interest	Equity
Balance, December 31, 2013	20,563,023 \$	10,282 \$	210,848 \$	(3,333) \$	62,785 \$	280,582 \$	39,605 \$	320,187
Net income					5,655	5,655	107	5,762
Other comprehensive income				(3,555)		(3,555)		(3,555)
Restricted stock issuance	94,014	47	(47)					
Stock compensation			2,564			2,564		2,564
Shares withheld for taxes and								
tax benefit of vested shares	(20,559)	(11)	(603)	(11)		(625)		(625)
Warrants exercised					(1)			
			010 700 0		00 400 \$	004.004 \$	00 740 4	004 000
Balance, December 31, 2014	20,636,478 \$	10,318 \$	212,763 \$	(6,899) \$	68,439 \$	284,621 \$	39,712 \$	324,333
Net income					2,950	2,950	(38)	2,912
Other comprehensive loss				(3)		(3)		(3)
Restricted stock issuance	85,584	43	(43)					
Stock compensation			3,922			3,922		3,922
Shares withheld for taxes and	(00,000)	(47)	(004)			(001)		(001)
tax benefit of vested shares	(33,908)	(17)	(904)			(921)		(921)
Modified share-based awards			1,065			1,065		1,065
Balance, December 31, 2015	20,688,154 \$	10,344 \$	216,803 \$	(6,902) \$	71,389 \$	291,634 \$	39,674 \$	331,308
Net income (loss)					558	558	(43)	515
Other comprehensive income				663		663		663
Restricted stock issuance	200,240	100	(100)					
Stock Compensation			4,881			4,881		4,881
Shares withheld for taxes and								
tax benefit for vested shares	(78,093)	(39)	(2,861)			(2,900)		(2,900)
Centennial redemption of withdrawing								
member interest			11,039			11,039	(11,039)	
Balance, December 31, 2016	20,810,301 \$	10,405 \$	229,762 \$	(6,239) \$	71,947 \$	305,875 \$	28,592 \$	334,467

## CONSOLIDATED STATEMENTS OF OPERATION

		Twelve Months Ende	ed December 31
(\$ in thousands)	2016	2015	2014
OPERATING ACTIVITIES			
Net income	\$ 515	\$ 2,912	\$ 5,762
Adjustments to reconcile net income to net cash provided by operating activiti			
Depreciation and amortization	4,549	5,090	4,871
Amortization of premium/discount of marketable securities	434	555	769
Equity in earnings	(7,098)	(6,324)	(5,294)
Non-cash retirement plan expense	1,046	997	164
Gain on sale of real estate/assets	(1,183)	(95)	
Deferred income taxes	1,939	(120)	112
Stock compensation expense	4,585	3,757	3,534
Distribution of earnings from unconsolidated joint ventures	4,500	7,200	
Changes in operating assets and liabilities:			
Receivables, inventories, prepaids and other assets, net	(1,603)	2,733	2,291
Current liabilities, net	(2,099)	263	1,009
Net cash provided by operating activities	5,585	16,968	13,218
INVESTING ACTIVITIES			
Maturities and sales of marketable securities	11,750	24,157	20,844
Funds invested in marketable securities	(5,983)	(15,574)	(8,525)
Real estate and equipment expenditures	(26,380)	(28,048)	(24,775)
Reimbursement proceeds from Communities Facilities District	6,155	4,971	
Proceeds from sale of real estate/assets	4,616	796	
Investment in unconsolidated joint ventures	(2,000)	(52)	(9,656)
Purchase of partner interest in TMV LLC			(70,000)
Distribution of equity from unconsolidated joint ventures	1,600	1,100	
Investments in long-term water assets			(480)
Other		(11)	
Net cash used in investing activities	(10,242)	(12,661)	(92,592)
FINANCING ACTIVITIES			
Borrowings of line of credit	20,700	17,540	31,050
Repayments of line of credit	(13,000)	(24,390)	(24,200)
Borrowings of long-term debt		(2 1,000,	70,000
Repayments of long-term debt	(815)	(244)	(244)
Taxes on vested stock grants	(2,900)	(921)	(625)
Net cash provided by (used in) provided by financing activities	3,985	(8,015)	75,981
Decrease in cash and cash equivalents	(672)	(3,708)	(3,393)
Cash and cash equivalents at beginning of year	1,930	5,638	9,031
Cash and cash equivalents at end of year	\$ 1,258	\$ 1,930	\$ 5,638
SUPPLEMENTAL CASH FLOW INFORMATION			
Increase in CIP attributable to reclassifying equity in investment of TMV, LLC	\$	\$ —	\$ 44,950
Accrued capital expenditures included in current liabilities	<u>\$                                    </u>	\$329	\$ 1,096
Capital expenditure financing arrangement	\$ 467	<u> </u>	\$ 1,000
Taxes paid (net of refunds)	\$ 1,135	\$	<u> </u>
		<u> </u>	ψ(2,004/

The following graph is a comparison of cumulative total shareowner returns for the Company, the Dow Jones Equity Market Index, and the Dow Jones Real Estate Index for the period shown.



- Assumes \$100 invested on December 30, 2011

- Total return assumes reinvestment of dividends

- Fiscal year ending December 31

	2012	2013	2014	2015	2016
tejon ranch	14.71%	30.91%	-19.86%	-35.00%	32.79%
dj equity mkt	16.38%	33.47%	12.48%	0.44%	12.62%
dj real estate	18.91%	1.79%	27.24%	2.14%	7.56%

The stock price performance depicted in the above graph is not necessarily indicative of future price performance. The Performance Graph will not be deemed to be incorporated by reference in any filing by the Company under the Securities Act of *1933* or the Securities Exchange Act of *1934*, except where the Company specifically incorporates the Performance Graph by reference.

The Dow Jones Real Estate Index, for the most part, includes companies which have revenues substantially greater than those of the Company. The Company is unaware of any industry or line-of-business index that is more nearly comparable.

Quarter	high	2016 Iow	high	2015 Iow
First	\$ 21.58	\$ 16.85	\$ 29.74 \$	23.57
Second	\$ 24.90	\$ 19.50	\$ 27.10 \$	23.84
Third	\$ 26.99	\$ 22.00	\$ 28.00 \$	21.50
Fourth	\$ 27.99	\$ 21.13	\$ 24.28 \$	18.12

As of February 28, 2017, there were 303 registered owners of record of our Common Stock.

#### DIRECTORS

**Norman Metcalfe** Chairman of the Board, Tejon Ranch Co. Real Estate and Investments

Robert A. Alter President, Seaview Investors, LLC

**Steven A. Betts** Real Estate and Investments

**Gregory S. Bielli** President and Chief Executive Officer, Tejon Ranch Co.

John L. Goolsby Private Investments and Real Estate

#### Anthony L. Leggio

President, Bolthouse Properties LLC Real Estate Development and Management

#### **Geoffrey L. Stack** Managing Director, SARES-REGIS Group Real Estate Development and Management

**Daniel R. Tisch** Managing Member, TowerView LLC Investment Management

**Frederick C. Tuomi** Chief Executive Officer, Colony Starwood Homes

**Michael H. Winer** Portfolio Manager, Third Avenue Management LLC Investment Management

#### EXECUTIVE OFFICERS

**Gregory S. Bielli** President and Chief Executive Officer

Allen E. Lyda Executive Vice President, Chief Financial Officer and Assistant Secretary

**Hugh F. McMahon IV** Executive Vice President, Commercial and Industrial Real Estate

**Joseph N. Rentfro** Executive Vice President, Real Estate

**Dennis J. Atkinson** Senior Vice President, Agriculture and Water Resources

**Michael R.W. Houston** Senior Vice President, General Counsel and Corporate Secretary

**Robert D. Velasquez** Vice President of Finance, Chief Accounting Officer

# $CORPORATE \\ DIRECTORY$

#### **Corporate Office**

Tejon Ranch Company Post Office Box 1000 4436 Lebec Road Tejon Ranch, California 93243 Telephone: (661) 248-3000

#### **Securities Listing**

Tejon Ranch Company Common Stock is listed on the New York Stock Exchange under the ticker symbol: TRC

#### Stock Transfer Agent & Registrar

Computershare Shareowner Services LLC 480 Washington Boulevard Jersey City, NJ 07310-1900 Telephone: (877) 898-2101

#### **Auditors**

Ernst & Young LLP

#### Form 10-K

A copy of this report and the Company's Annual Report to the Securities and Exchange Commission on Form 10-K, without exhibits, will be provided without charge to any stockholder submitting a written or electronic request to Investor Relations:

#### **Barry Zoeller**

Vice President, Corporate Communications & Investor Relations bzoeller@tejonranch.com

#### **Tejon Ranch Company**

Post Office Box 1000 Tejon Ranch, California 93243

