

**TEJON RANCH CO.
CORPORATE GOVERNANCE GUIDELINES**

Introductory Statement

The Board of Directors provides direction for the management of the business and affairs of the corporation. Among other things, the Board performs the following specific functions:

- Selects, evaluates and determines the compensation of the Chief Executive Officer and other senior executive officers.
- Reviews and approves the corporation's strategic five-year plans and the annual operating and capital budgets.
- Oversees plans for management succession.
- Advises management on significant issues facing the corporation.
- Reviews and approves significant corporate actions.
- Oversees the financial reporting process, communications with stockholders, and the corporation's legal and regulatory compliance program.
- Nominates directors and establishes procedures for effective corporate governance.

It is the responsibility of management, in the exercise of their fiduciary duties to the corporation and its stockholders, to directly manage the corporation's business and affairs in an effective and ethical manner. The Chief Executive Officer is the leader of management and vested with the authority to make final decisions on behalf of management.

The Board of Directors of the corporation has adopted these Corporate Governance Guidelines as a framework within which the Board and senior management address their respective responsibilities.

Board Composition & Qualifications

Number, Election and Term of Directors

The number of directors comprising the Board is determined from time to time in accordance with the corporation's bylaws. The Certificate of Incorporation provides that the Board is divided into three classes and that director's serve for three-year terms, with the term of one class expiring at each annual meeting of stockholders. The Board has established a discretionary policy in regard to the retirement of members from the Board.

The Nominating and Corporate Governance Committee (the "Nominating Committee") reviews the size and composition of the Board as part of the annual Board evaluation process and makes recommendations to the Board as appropriate.

Independence

A majority of the directors comprising the Board shall be independent directors. An "independent" director is a director who meets the New York Stock Exchange ("NYSE") definition of independence, as determined by the Board. The Board has adopted the standards set forth on Attachment A to these Guidelines to assist it in making determinations of a director's independence.

Board Membership Criteria

The Board is responsible for selecting nominees for election to the Board by the stockholders. Based upon its periodic evaluation of the Board's performance and composition, the Nominating Committee determines the need and criteria for new directors. In general, the corporation seeks as directors individuals with substantial management experience who possess the highest personal values, judgment and integrity, an understanding of the environment in which the corporation does business, and diverse experience with the key business, financial and other challenges that the corporation faces. The Nominating Committee recognizes that a diversity of viewpoints and experience can enhance the effectiveness of the Board, as a part of its evaluation of each candidate, the Nominating Committee takes into account how each candidate's background, experience, qualifications, attributes and skills may compliment, supplement, or duplicate those of other prospective candidates.

Stockholders may submit written recommendations for nominees directly to the Chairman of the Nominating and Corporate Governance Committee in care of the Secretary of the corporation.

In considering the renomination of existing directors, the Nominating Committee shall take into consideration: (i) each director's contribution to the Board; (ii) any material change in the director's employment or responsibilities with any other organization; (iii) the director's ability to attend meetings and fully participate in the activities of the Board and the committees of the Board on which the director serves; (iv) whether the director has developed any relationships with the corporation or another organization, or other circumstances have arisen, that might make it inappropriate for the director to continue serving on the Board; and (v) the director's age and length of service on the Board.

Directors are required to inform the Nominating Committee of any material changes in employment or responsibilities with any other organization.

Management directors must obtain approval from the Nominating Committee before becoming a director of another for-profit organization. Non-management directors must notify the Nominating Committee upon becoming a director of another for-profit organization.

Board Committees

Number, Structure and Independence of Committees

The Board has six standing committees: Executive, Audit, Compensation, Investment Policy, Nominating and Corporate Governance, and Real Estate. All members of the Audit, Compensation, and Nominating and Corporate Governance Committees shall be directors who are independent, as determined by the Board.

The Audit, Compensation, Nominating and Corporate Governance, and Real Estate Committees are governed by their own charters, which are approved by the committee as well as by the Board. The charters set forth the purposes, duties and responsibilities of each committee, and its membership requirements. The standing committee charters are posted on the corporation's website at www.tejonranch.com. Annually, each of the Audit, Compensation, Real Estate, and Nominating and Corporate Governance Committees evaluates its performance and the adequacy of its charter.

The Board may from time to time establish and dissolve other committees having such purposes, duties, responsibilities and membership as the Board deems necessary or appropriate. These committees may operate with or without a charter.

Assignment of Committee Members and Chairs

Committee membership and committee chairmanships are determined by the Board, taking into account the recommendations of the Chairman, the CEO and the Nominating and Corporate Governance Committee.

Meeting Responsibilities

Attendance at and Participation in Meetings

Board meetings are generally held on a pre-determined schedule, with any additional Board meetings scheduled as needed. Committee meetings are scheduled as needed. The Chairman presides at Board meetings and, since he is not a member of management, at executive sessions of non-management directors. Board members are expected to prepare for, attend and participate in all Board and applicable committee meetings, and to attend Annual Meetings of Stockholders, unless prevented from doing so by unavoidable conflicts, emergency, illness or other extraordinary circumstances.

Board Meeting Agendas

The CEO, in consultation with the Chairman and the corporate secretary, prepares an agenda for each Board meeting. Each Board member is encouraged to suggest the inclusion of items on the agenda.

Distribution and Review of Board Materials

Directors should review and devote appropriate time to studying Board and committee materials. Information and materials for Board consideration, including the agenda, are generally distributed to directors at least five days in advance of a Board meeting, with additional time provided when the volume of materials or the complexity of an issue demands. In some cases, due to the sensitive nature of an issue or if an issue arises without sufficient time to complete distribution of materials within this time frame, the materials are presented only at the Board meeting.

Executive Sessions of Non-Management Directors

The Board convenes executive sessions of non-management directors without Company management at each regular Board meeting, unless time constraints or extraordinary circumstances cause the session to be waived. The Chairman presides at such Board executive sessions.

Code of Business Conduct and Ethics

The Board has adopted a Code of Business Conduct and Ethics for directors, officers and employees to foster a common set of fundamental values and operating principles. The Board oversees procedures for administering and promoting compliance with the Code of Business Conduct and Ethics. The Code of Business Conduct and Ethics is posted on the corporation's website at www.tejonranch.com.

Board Access to Management and Outside Advisors

The corporation's senior management team attends Board meetings on a regular basis, both to make special presentations and as a discussion resource, and senior management is available to provide information and participate in committee meetings. Board members have access to all members of management.

The Board and each Board committee (consistent with the provisions of its charter) has authority to engage and obtain advice and assistance from outside legal, financial and other advisors as deemed necessary for the discharge of its responsibilities.

Director Compensation

Director compensation is set by the Board, based upon the recommendation of the Compensation Committee.

Director Orientation and Continuing Education

On or before his or her election to the Board, each new director participates in an orientation meeting with senior management and is provided a basic package of orientation materials. In addition, directors are regularly provided information pertaining to relevant industry developments and issues. Directors are encouraged to participate in continuing education programs to assist them in performing their Board responsibilities.

CEO Evaluation and Succession Planning

The Compensation Committee conducts an annual review of the CEO's performance. The results are reported to the Board for its discussion and consideration.

The Compensation Committee considers annually the corporation's succession planning, including contingency plans in the event of an emergency, with respect to the CEO position.

Assessing Board Performance

The Nominating and Corporate Governance Committee is responsible for conducting, and presenting to the Board, an annual evaluation of the Board and its committees.

Periodic Review of Guidelines

Annually, the Nominating and Corporate Governance Committee reviews these Guidelines and the committee charters as a whole, and recommends changes to the Board as appropriate. The current version of these Guidelines as approved and adopted by the Board is posted on the corporation's website at www.tejonranch.com.

Attachment A

The Nominating and Corporate Governance Committee annually reviews the independence of all directors, and reports its findings to the Board. Based upon the report and the directors' consideration, the Board determines which directors shall be deemed independent:

A director will be deemed independent if it is determined that he or she has no material relationship with the corporation, either directly or through an organization that has a material relationship with the corporation. A relationship is "material" if, in the judgment of the Board, it might reasonably be considered to interfere with the exercise of independent judgment. Ownership of stock of the corporation is not, in itself, inconsistent with a finding of independence. An Audit Committee member must also be independent within the meaning of the New York Stock Exchange's (NYSE) listing requirements for audit committees and the requirements set forth in Rule 10A-3 of the Securities Exchange Act of 1934, as amended. A member of the Compensation Committee must also meet the independent requirements contained within the NYSE's listing requirements for Compensation Committees. The following standards are utilized in determining whether a director shall be deemed independent:

- the director is not, and in the past three years has not been, an employee of Tejon Ranch Co. or any of its subsidiaries (collectively, "Tejon");
- an immediate family member of the director is not, and in the past three years has not been, employed as an executive officer of Tejon;
- neither the director nor a member of the director's immediate family is, or in the past three years has been, affiliated with or employed by Tejon's present or former (within three years) internal or external auditor;
- neither the director nor a member of the director's immediate family is, or in the past three years has been, employed as an executive officer of another company where any of Tejon's present executives serve on that company's compensation committee;
- neither the director nor a member of the director's immediate family receives or has received more than \$120,000 per year in direct compensation from Tejon in the past three years, other than director and committee fees and pensions or other forms of deferred compensation for prior services (provided such compensation is not contingent in any way on continued service);
- (a) the director is not a current partner or employee of a firm that is Tejon's internal or external auditor; (b) the director does not have an immediately family member who is a current partner of such a firm; (c) the director does not have an immediate family member who is a current employee of such a firm and personally works on the listed company's audit; or (d) the director or an immediate family member was not within the last three years a partner or employee of such a firm and personally worked on Tejon's audit within that time;
- the director is not, and during the past three years has not been, an executive officer or employee, and no member of the director's immediate family is or has been during the past three years an executive officer, of a company that makes payments to, or receives payments from, Tejon for property or services in an amount which, in

any single fiscal year, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues.

For purposes of this Attachment A, an "immediate family member" means a person's spouse, parents, children, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law, and anyone (other than an employee) who shares such person's home.

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