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

# FORM 10-Q

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

For the quarterly period ended June 30, 2005

Or

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

For the transition period from ______ to ____________________

Commission File Number: 1-718

# TEJON RANCH CO.
**(Exact name of Registrant as specified in its charter)**

| | |
|---|---|
| **Delaware**<br>**(State or other jurisdiction of incorporation or organization)** | **77-0196136**<br>**(IRS Employer Identification No.)** |
| **P.O. Box 1000, Lebec, California**<br>**(Address of principal executive offices)** | **93243**<br>**(Zip Code)** |

**(661) 248-3000**
**Registrant's telephone number, including area code**

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

Yes ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act)

Yes ☒ No ☐

Total Shares of Common Stock issued and outstanding on August 5, 2005, were 16,506,712

TEJON RANCH CO. AND SUBSIDIARIES
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PART I - FINANCIAL INFORMATION

TEJON RANCH CO. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| Revenues: | | | | |
| Real estate - commercial/industrial | $ 2,977 | $ 2,233 | $ 5,725 | $ 4,225 |
| Farming | 724 | 202 | 1,536 | 233 |
| Total revenues | 3,701 | 2,435 | 7,261 | 4,458 |
| Costs and Expenses: | | | | |
| Real estate - commercial/industrial | 2,354 | 1,951 | 4,523 | 3,935 |
| Real estate - resort/residential | 724 | 349 | 1,322 | 746 |
| Farming | 852 | 436 | 1,679 | 845 |
| Corporate expenses | 1,675 | 1,452 | 3,490 | 2,496 |
| Total expenses | 5,605 | 4,188 | 11,014 | 8,022 |
| Operating loss | (1,904) | (1,753) | (3,753) | (3,564) |
| Other Income: | | | | |
| Investment income | 611 | 139 | 1,192 | 233 |
| Other | 7 | 11 | 16 | 11 |
| Total other income | 618 | 150 | 1,208 | 244 |
| Loss from continuing operations before equity in losses of unconsolidated joint ventures | (1,286) | (1,603) | (2,545) | (3,320) |
| Equity in losses of unconsolidated joint ventures, net | (148) | (60) | (606) | (350) |
| Operating loss before income tax benefit | (1,434) | (1,663) | (3,151) | (3,670) |
| Income tax benefit | (594) | (665) | (1,327) | (1,468) |
| Loss from continuing operations | (840) | (998) | (1,824) | (2,202) |
| Income from discontinued operations, net of applicable income taxes | — | 522 | — | 459 |
| Net loss | $ (840) | $ (476) | $ (1,824) | $(1,743) |
| Loss from continuing operations per share, basic | $ (0.05) | $ (0.06) | $ (0.11) | $ (0.15) |
| Income from discontinued operations per share, basic | — | 0.03 | — | 0.03 |
| Net loss per share, basic | $ (0.05) | $ (0.03) | $ (0.11) | $ (0.12) |
| Loss from continuing operations per share, diluted | $ (0.05) | $ (0.06) | $ (0.11) | $ (0.15) |
| Income from discontinued operations per share, diluted | — | 0.03 | — | 0.03 |
| Net loss per share, diluted | $ (0.05) | $ (0.03) | $ (0.11) | $ (0.12) |

See Notes to Unaudited Consolidated Condensed Financial Statements.

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TEJON RANCH CO. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED CONDENSED BALANCE SHEETS
(In Thousands)

| | June 30, 2005 | December 31, 2004 |
|---|---|---|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 972 | $ 6,692 |
| Marketable securities - available for sale | 62,457 | 57,700 |
| Accounts receivable | 2,446 | 8,204 |
| Inventories | 3,812 | 1,346 |
| Prepaid expenses and other | 4,384 | 1,761 |
| Total current assets | 74,071 | 75,703 |
| Property and equipment - net | 63,978 | 59,802 |
| Other assets | 2,364 | 2,699 |
| TOTAL ASSETS | $140,413 | $ 138,204 |
| LIABILITIES AND STOCKHOLDERS’ EQUITY | | |
| Current Liabilities: | | |
| Trade accounts payable | $ 1,670 | $ 1,752 |
| Other accrued liabilities | 293 | 112 |
| Deferred income | 1,155 | 1,024 |
| Income tax payable | — | 483 |
| Short-term debt | — | 80 |
| Current portion of long-term debt | 24 | 23 |
| Total current liabilities | 3,142 | 3,474 |
| Long-term debt, less current portion | 457 | 469 |
| Other liabilities | 899 | 818 |
| Minimum pension liability | 1,350 | 1,350 |
| Commitments and contingencies | | |
| Stockholders’ equity: | | |
| Common stock | 8,245 | 8,193 |
| Additional paid-in capital | 96,269 | 91,956 |
| Deferred compensation | (442) | (568) |
| Accumulated other comprehensive loss | (1,838) | (1,643) |
| Retained earnings | 32,331 | 34,155 |
| Total stockholders’ equity | 134,565 | 132,093 |
| TOTAL LIABILITIES AND STOCKHOLDERS’ EQUITY | $140,413 | $ 138,204 |

The Balance sheet at December 31, 2004 has been derived from the audited financial statements at that date.

See Notes to Unaudited Consolidated Condensed Financial Statements.

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TEJON RANCH CO. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(In Thousands)

| | Six Months Ended June 30 | |
|---|---|---|
| | **2005** | **2004** |
| OPERATING ACTIVITIES | | |
| Net loss | $ (1,824) | $ (1,743) |
| Items not affecting cash: | | |
| Depreciation and amortization | 913 | 1,104 |
| Equity in losses of unconsolidated joint ventures - net | 606 | 350 |
| Deferred compensation - stock grants | 1,300 | 753 |
| Deferred income taxes | (1,351) | — |
| Tax benefit from exercise of stock options | 900 | — |
| Changes in operating assets and liabilities: | | |
| Receivables, inventories and other assets, net | 2,088 | (1,332) |
| Current liabilities, net | (253) | (1,176) |
| NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES | 2,379 | (2,044) |
| INVESTING ACTIVITIES | | |
| Maturities and sales of marketable securities | 3,223 | 19,233 |
| Funds invested in marketable securities | (8,449) | (40,529) |
| Reimbursement proceeds from community facilities district | — | 2,422 |
| Property and equipment expenditures | (4,981) | (2,678) |
| Investment in unconsolidated joint ventures | (173) | (350) |
| Other | 1 | 1 |
| NET CASH USED IN INVESTING ACTIVITIES | (10,379) | (21,901) |
| FINANCING ACTIVITIES | | |
| Payments of short-term borrowings | — | (80) |
| Payments of long-term debt | (11) | (10,011) |
| Proceeds from exercise of stock options | 2,297 | 208 |
| Net proceeds from private equity placement | — | 37,283 |
| Additional costs related to private placement | (6) | — |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 2,280 | 27,400 |
| NET CHANGE IN DISCONTINUED OPERATIONS | — | 1,517 |
| INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | (5,720) | 4,972 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 6,692 | 9,323 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | $ 972 | $ 14,295 |

See Notes to Unaudited Consolidated Condensed Financial Statements.

TEJON RANCH CO. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY

($'s in thousands except shares outstanding)

| | Common Stock Shares Outstanding | Common Stock | Additional Paid-In Capital | Deferred Compensation | Accumulated Other Comprehensive Income (Loss) | Retained Earnings | Total |
|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2004** | 14,554,422 | $ 7,278 | $ 35,077 | $ — | $ (1,478) | $33,766 | $ 74,643 |
| Net income | — | — | — | — | — | 389 | 389 |
| Changes in unrealized losses on available-for-sale securities, net of taxes of $147 | — | — | — | — | (221) | — | (221) |
| Equity in other comprehensive income of unconsolidated joint venture, net of taxes of $26 | — | — | — | — | 39 | — | 39 |
| Benefit Plan adjustments, net of taxes of $23 | — | — | — | — | (37) | | (37) |
| Interest rate swap adjustment, net of taxes of $11 | — | — | — | — | 54 | | 54 |
| Comprehensive Income | — | — | — | — | — | — | 224 |
| Net proceeds from private equity placement | 1,682,981 | 841 | 50,815 | — | — | — | 51,656 |
| Stock compensation | — | | 1,881 | — | — | — | 1,881 |
| Exercise of stock options and related tax benefit $819 | 125,581 | 63 | 3,363 | — | — | — | 3,426 |
| Stock issuance | 23,515 | 11 | 820 | (831) | — | — | — |
| Amortization of deferred compensation | — | — | — | 263 | — | — | 263 |
| **Balance at December 31, 2004** | 16,386,499 | 8,193 | 91,956 | (568) | (1,643) | 34,155 | $132,093 |
| Net loss | — | — | — | — | — | (1,824) | (1,824) |
| Changes in unrealized losses on available-for-sale securities, net of taxes of $144 | — | — | — | — | (217) | — | (217) |
| Equity in other comprehensive income of unconsolidated joint venture, net of taxes of $16 | — | — | — | — | 22 | — | 22 |
| Comprehensive loss | | | | | | | (2,019) |
| Additional cost related to private placement | — | — | (6) | — | — | — | (6) |
| Stock compensation and restricted stock | 690 | — | 1,174 | — | — | — | 1,174 |
| Exercise of stock options and related tax benefit of $900 | 105,602 | 52 | 3,145 | — | — | — | 3,197 |
| Amortization of deferred compensation | — | — | — | 126 | — | — | 126 |
| **Balance at June 30, 2005** | 16,492,791 | $ 8,245 | $ 96,269 | $ (442) | $ (1,838) | $32,331 | $134,565 |

See notes to Unaudited Consolidated Condensed Financial Statements.

TEJON RANCH CO. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

June 30, 2005

NOTE A – BASIS OF PRESENTATION

The summarized information of Tejon Ranch Co. and Subsidiaries, or the Company, furnished pursuant to the instructions to Part I of Form 10-Q, is unaudited and reflects all adjustments which are, in the opinion of the Company's management, necessary for a fair statement of the results for the interim period. All such adjustments are of a normal recurring nature.

The Company has identified three reportable segments: real estate-commercial/industrial, real estate-resort/residential, and farming. Information for the Company's reported segments is presented in its consolidated condensed statements of operations. The Company's reporting segments follow the same accounting policies used for the Company's consolidated financial statements. Management evaluates a segment's performance based upon a number of factors including pretax results.

The results of the periods reported herein are not indicative of the results to be expected for the full year due to the seasonal nature of the Company's agricultural activities and the unpredictable nature of leasing and sales activities within the real estate-commercial industrial segment. Historically, the largest percentages of revenues are recognized during the third and fourth quarters.

For further information and a summary of significant accounting policies, refer to the Consolidated Financial Statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2004.

NOTE B – NET INCOME (LOSS) PER SHARE

Basic net income or loss per share is based upon the weighted average number of shares of common stock outstanding during the period. Diluted net income per share is based upon the weighted average number of shares of common stock outstanding and the weighted average number of shares outstanding assuming the issuance of common stock upon exercise of stock options per Financial Accounting Standards Board (FASB) Statement No. 128, "Earnings Per Share".

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| Weighted average number of shares outstanding: | | | | |
| Common stock | 16,469,942 | 15,336,261 | 16,449,724 | 14,945,685 |
| Commons stock equivalents - stock options | 457,840 | 216,280 | 450,155 | 327,249 |
| Diluted shares outstanding | 16,927,782 | 15,552,541 | 16,899,879 | 15,272,934 |

For the three and six months ended June 30, 2005 and June 30, 2004, diluted net loss per share is based on the weighted average number of shares of common stock outstanding because the impact of common stock equivalents is antidilutive.

NOTE C – MARKETABLE SECURITIES

FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities," requires that an enterprise classify all debt securities as held-to-maturity, trading, or available-for-sale. The Company has elected to classify its securities as available-for-sale and therefore is required to adjust securities to fair value at each reporting date.

The following is a summary of available-for-sale securities at June 30, 2005 and December 31, 2004:

| | June 30, 2005 | | December 31, 2004 | |
|---|---|---|---|---|
| | Cost | Estimated Fair Value | Cost | Estimated Fair Value |
| Marketable Securities: (in thousands) | | | | |
| U.S. Treasury and agency notes | $41,491 | $ 41,175 | $38,763 | $ 38,652 |
| Corporate notes and commercial paper | 21,544 | 21,282 | 19,154 | 19,048 |
| | $63,035 | $ 62,457 | $57,917 | $ 57,700 |

As of June 30, 2005, the adjustment to the accumulated other comprehensive loss in the consolidated stockholders' equity reflects a decline in the market value of available-for-sale securities of $217,000, which is net of a tax benefit of $144,000. As of June 30, 2005, the Company's gross unrealized holding gains equal $67,000 and gross unrealized holding losses equal $645,000. On June 30, 2005, the average maturity of U.S. Treasury and agency securities was 3.75 years and corporate notes was 3.20 years. Currently, the Company has no securities with a remaining term to maturity of greater than six years.

Estimated market value equals quoted market price, if available. If a quoted market price is not available, market value is estimated using quoted market prices for similar securities. The Company's investments in corporate notes are with companies with a credit rating of A or better.

NOTE D – COMMITMENTS AND CONTINGENCIES

The Tejon Ranch Public Facilities Financing Authority, a joint powers authority formed by Kern County and the Tejon-Castac Water District, formed a Community Facilities District, or CFD, that has placed liens on 1,728 acres of the Company's land. These liens are to secure payment of special taxes related to $23.9 million of bond debt sold by the CFD. The Company is obligated, as a landowner in the district, to pay its share of the special taxes assessed each year. The 1,728 acres of land includes the Tejon Industrial Complex-West development. Proceeds from the sale of CFD bonds went to the Company as reimbursement for public infrastructure related to the Tejon Industrial Complex-West development. There have been no reimbursements thus far during 2005. During 2004, the Company paid approximately $101,000 in special taxes related to the CFD. As development occurs at Tejon Industrial Complex-West, new owners of land and new lease tenants, through triple net leases, will begin to pay their portion of the assessed special tax. As this occurs, the Company's obligation will be reduced. It is expected that the Company will have special tax payments in 2005 of approximately $150,000, but this could change in the future based on the amount of bonds outstanding within the CFD and the amount of taxes paid by others. As and if development and values increase around the Tejon Industrial Complex-West, the Company may be able to have approximately 1,400 acres released from the CFD lien.

At June 30, 2005, the Company was guaranteeing 50% of a construction loan to Tejon Dermody Industrial LLC, an unconsolidated joint venture, for the construction of a building for lease or sale. The amount of the loan is $12,021,000, and the maturity date of this loan is January 2006. The Company believes it is unlikely that it will ever be required to make payments under this guarantee because we expect to refinance the loan. Therefore, no liability related to the guarantee has been recorded as of June 30, 2005.

The Company leases land to National Cement Company of California, Inc., or National, for the purpose of manufacturing Portland cement from limestone deposits on the leased acreage. National's former subtenant, Systech Environmental Corporation, is performing studies for the California Department of Toxic Substances Control in order to achieve regulatory closure for its former facility that burned hazardous waste as a supplemental fuel in the cement plant located on land leased from the Company.

The California Regional Water Quality Control Board, or RWQCB, for the Lahontan Region has issued several orders with respect to four environmental conditions on the property:

(1.) *Groundwater plume of chlorinated hydrocarbon compounds.* This order directs the Company's former tenant Lafarge Corporation, or Lafarge, the current tenant National, and the Company to, among other things, investigate the source and extent of the contamination and initiate cleanup. The Company is advised that Lafarge and National have completed their investigation, and are operating a groundwater pump-and-treat system to clean up the groundwater. In 1991 and 2000, Lafarge and National removed certain soils from the property that were the principal source of the contamination.

(2.) *Cement kiln dust.* National and Lafarge have consolidated, closed and capped cement kiln dust piles located on land leased from the Company. An order of the RWQCB directs National, Lafarge and the Company to maintain and monitor the effectiveness of the cap. Maintenance of the cap and groundwater monitoring remain as on-going activities.

(3.) *Former industrial waste landfill.* This order requires Lafarge, National and the Company to complete the cleanup of groundwater associated with the landfill. The Company is advised that Lafarge is addressing the low-level contamination by natural attenuation and that monitoring remains as an ongoing activity. Lafarge previously removed waste historically disposed of in the landfill and transported that waste off-site for disposal.

(4.) *Diesel fuel.* An order of the RWQCB directs Lafarge, National and the Company to investigate and clean up contamination from a diesel fuel tank and pipeline. The Company is advised that Lafarge and National have completed their investigation and groundwater cleanup and that groundwater monitoring remains as an on-going activity. Some oil contamination located beneath plant buildings and equipment remains on the property.

To date, the Company is not aware of any failure by Lafarge or National to comply with the orders or other informal requests of the RWQCB. The Company has not been directed by the RWQCB to perform any remedial activities. Under the lease between National and the Company, National is obligated to indemnify the Company for costs and liabilities arising directly or indirectly out of its use of the leased premises. Lafarge has liability for all obligations under the indemnity provisions arising before the November 1987 assignment of the lease from Lafarge to National. The Company believes that all of the matters described above are included within the scope of the National and Lafarge indemnity obligations.

The Company believes that Lafarge and National have sufficient resources to perform any reasonably possible or reasonably likely obligations relating to these matters. If they do not and the Company is required to perform the likely remedial work at its own cost, it is unlikely that the amount of any such expenditure by the Company would be material.

On February 20, 2003, the Center for Biological Diversity and other environmental groups filed a lawsuit in Kern County Superior Court against Kern County. This suit challenged the County's certification of the environmental impact report, or EIR, for Tejon Industrial Complex-East, or TIC-East, the Company's 1100-acre expansion of the industrial park at the south end of the San Joaquin Valley. The principal environmental issues raised in the suit involved the project's likely effects on air quality and endangered species, the impact of converting farmland to developed land and the related potential for growth inducement, and the cumulative impact of the project when combined with other development on Company land and elsewhere. The suit also challenged the land use entitlements granted by the County as being inconsistent with the County's general plan and zoning policies. Two subsidiaries of the Company are the real parties in interest. The Company has an obligation to indemnify and defend the County and has undertaken defense of this suit in close coordination with County counsel.

On October 24, 2003, the Kern County Superior Court issued a ruling in this case voiding the County's certification of the EIR based on two grounds. First, the Court found that there was not sufficient evidence that the EIR adequately described the impacts that TIC-East would have on the air quality of the San Joaquin Valley air basin. The principal reason for this conclusion was that certain data and guidance provided by local air quality districts, which was cited, discussed and relied upon in the EIR, could not be used to support the County's decision because it was not physically included in the administrative record. Second, two "species of concern" (i.e. species not listed under the state and federal endangered species acts but which are for other reasons required to be discussed in EIR's if they could be affected by a development) found on or near the project site were not specifically discussed in the EIR, due to an inadvertent oversight by the consulting biologists. The Court found that the EIR was adequate in all other aspects, and ruled in favor of the Company on separate claims asserted by plaintiffs under the laws governing planning and zoning in California. The Court retained jurisdiction over the case.

A supplemental environmental analysis has been prepared to address the air quality and biological issues described above. That supplemental environmental analysis was released by Kern County for public review and comment in mid-July. The project approvals, including some immaterial changes, are scheduled to go to the County Board of Supervisors in October for consideration and action in light of the additional information contained in the supplemental environmental analysis. Kern County is expected to act on the corrected EIR incorporating the supplemental environmental analysis and to act on the project approvals at that time, after which the corrected EIR will be returned to the court for its review. It is expected that plaintiffs will contest the adequacy of the corrected EIR before both the County Board of Supervisors and the Court, which would result in further delays before the Company can develop the land.

On November 29, 2004, a complaint was filed requesting the adjudication of the Antelope Valley ground water basin. This means that the rights of all parties overlying the basin, including the Company's land, should be fixed for all time based on various principles of water law and on negotiations among the principal parties or groups of water users. It is premature to ascertain what impact, if any, this case may have on the Centennial Project or the Company's remaining land in the Antelope Valley. Because the water supply plan for the Centennial Project includes several sources of water in addition to ground water underlying the Company's land, and because the creation of an efficient market for local water rights is frequently an outcome of adjudication proceedings, we anticipate sufficient water to supply the project's need will continue to be available for its use.

For further discussion, refer to the Company's Form 10-K, Part I, Item 3,—"Legal Proceedings." There have been no significant changes since the filing of the 2004 Form 10-K.

NOTE E – INVESTMENT IN UNCONSOLIDATED JOINT VENTURES

The Company maintains investments in unconsolidated joint ventures. The Company accounts for its investments in these unconsolidated joint ventures using the equity method of accounting. The Company's investment in its unconsolidated joint ventures at June 30, 2005 is $1,925,000, which is included in other assets. The Company's equity in the net loss of the unconsolidated joint ventures is $606,000 for the six months ended June 30, 2005. The Company's current unconsolidated joint ventures are as follows:

- Petro Travel Plaza LLC is a joint venture with Petro Stopping Centers, L.P. for the development and management of the Petro Travel Plaza, in which the Company has a 60% ownership interest. This is a venture that owns and operates a travel plaza/commercial highway operation in the Tejon Industrial Complex-West. It houses multiple commercial eating establishments as well as diesel and gasoline operations. The joint venture has not been consolidated as of June 30, 2005 because the joint venture is not a variable interest entity and the Company does not control the investment due to its 50% voting right and the fact that the Company's partner is performing the day-to-day operations at the facility. At June 30, 2005, the Company had an equity balance of $924,000 in this joint venture.
- Centennial Founders, LLC is an unconsolidated joint venture in which the Company has a 50% ownership interest. This is a venture with three homebuilders and community developers (Pardee Homes, Lewis Investment Company, and Standard Pacific Corp.). The venture was organized to pursue the entitlement and development of land that the Company owns in Los Angeles County. At June 30, 2005, the Company's equity investment balance in this joint venture was $538,000.
- Tejon Dermody Industrial LLC is a joint venture between the Company and DP Properties for the development and ownership of a 651,000 square foot industrial building in the Tejon Industrial Complex-West. The Company owns a 50% interest in this venture. At June 30, 2005, the Company's equity investment balance was $463,000.

Unaudited condensed financial information of the Company's unconsolidated joint ventures as of and for the six months ended June 30, 2005 and 2004 was as follows (in thousands):

Condensed Combined Statement of Operations Information

| | 2005 | 2004 |
|---|---|---|
| Net sales | $31,849 | $26,560 |
| Net loss | $ (1,122) | $ (779) |
| Partners share of net loss | (516) | (429) |
| Equity in net loss of unconsolidated joint ventures | $ (606) | $ (350) |

Condensed Combined Balance Sheet Information

| | 2005 | 2004 |
|---|---|---|
| Current assets | $ 8,751 | $ 6,690 |
| Property and equipment, net | 46,267 | 43,852 |
| Other assets | 101 | 142 |
| Long term debt | (24,113) | (24,781) |
| Other liabilities | (6,719) | (4,839) |
| Net assets | $ 24,287 | $ 21,064 |

The Company's investment balance in its unconsolidated joint ventures differs from its capital accounts in the respective joint ventures. The differential represents the difference between the cost basis of assets contributed by the Company and the agreed-upon contribution value of the assets contributed.

NOTE F–DISCONTINUED OPERATIONS

During March 2004, the Company agreed to sell its ownership interest in Pacific Almond, its almond processing plant. The sale was completed in April 2004 and all assets and liabilities were assumed by the purchasing party. Management sold this business to provide additional capital for its core real estate development business.

During May 2004, the Company decided to offer for sale the commercial buildings that it owned in Phoenix, Arizona. Management decided to offer these buildings for sale in order to provide additional capital for its core real estate development business. The sale of these buildings was completed during November 2004.

Revenues from the discontinued operations of the almond processing plant consisted of charges generated from hulling, shelling and processing of almonds. Expenses from the discontinued operations of the almond processing plant consisted primarily of labor costs, materials and energy required to operate the hulling, shelling and processing operations. The revenues and expenses of this operation had previously been included in the farming segment. Interest expense for discontinued operations is based upon debt outstanding that was secured by the assets of the discontinued operation.

Revenues from the commercial buildings in Phoenix included tenant rents and common area maintenance fees. Expenses consisted of property taxes, interest, property management fees, and other similar costs incurred in the maintenance and leasing of property. The operating results for these buildings were previously included in the commercial/industrial real estate segment.

The financial statements reflect the operating results and balance sheet items of the discontinued operations separately from the continuing operations.

There are no remaining assets or liabilities of discontinued operations at June 30, 2005 or December 31, 2004.

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Operating results of the discontinued operations for the six month period ended June 30, 2005 and 2004 were as follows (in thousands):

| | 2005 | 2004 |
|---|---|---|
| Revenues | | |
| Almond processing plant | $— | $1,109 |
| Commercial buildings | — | 547 |
| Total | — | 1,656 |
| Expenses | | |
| Almond processing plant | — | 465 |
| Commercial buildings | — | 246 |
| Total | — | 711 |
| Interest Expense | | |
| Almond processing plant | — | 76 |
| Commercial buildings | — | 178 |
| Total | — | 254 |
| Income (loss) from discontinued operations before taxes | | |
| Almond processing plant | — | 568 |
| Commercial buildings | — | 123 |
| Total | — | 691 |
| Minority interest | | |
| Almond processing plant | — | 75 |
| Income tax provision (benefit) | | |
| Almond processing plant | — | 257 |
| Commercial buildings | — | 50 |
| Total | — | 307 |
| Income (loss) from discontinued operations, net of taxes | | |
| Almond processing plant | — | 386 |
| Commercial buildings | — | 73 |
| Total | $— | $ 459 |

NOTE G – INTEREST RATE RISK MANAGEMENT

At June 30, 2005, the Company had no outstanding interest rate swap agreements. However, a joint venture of the Company (Petro Travel Plaza LLC) has an interest rate swap agreement with respect to $7.0 million of its long-term debt to manage interest rate risk by converting floating interest rate debt to fixed-rate debt. This swap agreement matures in November 2009 and is a contract to exchange variable-rate for fixed-rate interest payments periodically over the life of the agreement. The interest rate swap fixed rate is 4.33%. The joint venture accounts for the swap agreement as a cash flow hedge in accordance with FASB Statement No. 133, "Accounting for Derivative Investments and Hedging Activities."

The Company records its pro rata change in the fair market value of the interest rate swap in accumulated other comprehensive income. As of June 30, 2005, the Company's portion of the fair value of the interest rate swap was a loss of $50,000. The estimated fair value of the swap was determined by market price quotes as of June 30, 2005, received from the joint venture's bank.

NOTE H –STOCK OPTION INFORMATION

The 1998 Stock Incentive Plan, or the 1998 Plan, provides for the making of awards to employees, consultants, and advisors of the Company with respect to 1,600,000 shares of common stock. Since the adoption of the 1998 Plan through June 30, 2005, the Company has granted options to purchase 1,109,292 shares at a price equal to the fair market value at date of grant, 346,988 of which have been exercised, leaving 762,304 granted options outstanding at June 30, 2005. Stock options granted under the 1998 Plan have a contractual life of 10 years and on average vest over a five-year period.

The Non-Employee Director Stock Incentive Plan, or the NDSI Plan, is intended to enable the Company to attract, retain, and motivate non-employee directors by providing for or increasing the proprietary interests of such persons in the Company. The NDSI Plan provides for making of awards to non-employee directors with respect to an aggregate of 200,000 shares of common stock. Since the adoption of the NDSI Plan through June 30, 2005, the Company has granted options under the plan to purchase 83,518 shares at a price equal to the fair market value at date of grant, of which 581 option shares have been exercised, leaving 82,937 granted options outstanding at June 30, 2005. Stock options granted under the NDSI Plan have a contractual life of 10 years and vest within the year granted.

During the first six months of 2005 and 2004, no compensation expense was recorded related to the granting of stock options. Pro forma information regarding net income (loss) and earnings (loss) per share is required by FASB Statement No. 123, "Accounting for Stock-Based Compensation," and has been determined as if the Company had accounted for its stock options under the fair value method of the statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions: risk-free interest rate of 5.00%; dividend rate of 0.0%; volatility factor of the expected market price of our common stock of 0.34; and a weighted-average expected life of the options of five years from the option grant date. During 2004 and thus far in 2005, no options have been granted by the Company.

Had compensation expense been determined based on fair value at the grant date for awards using the Black-Scholes option pricing model referred to above, consistent with the provisions of FASB Statement No. 123, the Company's net earnings (loss) and net earnings (loss) per share in 2005 and 2004 would have been reduced to the pro forma amounts indicated in the following table as of June 30, 2005 and 2004 (in thousands, except per share amounts):

| | 2005 | 2004 |
|---|---|---|
| Net loss reported | $(1,824) | $(1,743) |
| Add: Stock-based employee compensation expense included in reported net loss net of related tax effects | — | — |
| Deduct: Total stock-based employee compensation expense determined under fair value method for all awards, net of related tax effects | (430) | (588) |
| Pro forma net loss | $(2,254) | $(2,331) |
| Net loss per share: | | |
| Basic - as reported | $ (0.11) | $ (0.12) |
| Basic - pro forma | $ (0.14) | $ (0.16) |
| Diluted - as reported | $ (0.11) | $ (0.12) |
| Diluted - pro forma | $ (0.14) | $ (0.16) |

A summary of the Company's stock option activity and related information for the six month period ended June 30, 2005, and the year ended December 31, 2004 follows:

| | 2005 | | 2004 | |
|---|---|---|---|---|
| | Options | Weighted-Average Exercise Prices Per Share | Options | Weighted-Average Exercise Prices Per Share |
| Outstanding beginning of period | 970,843 | $ 23.70 | 1,096,424 | $ 23.36 |
| Granted | — | $ — | — | $ — |
| Exercised | (105,602) | $ 21.75 | (125,581) | $ 20.76 |
| Forfeited/Cancelled | (20,000) | $ 25.85 | — | $ — |
| Outstanding end of period | 845,241 | $ 23.89 | 970,843 | $ 23.70 |
| Options exercisable end of period | 570,141 | $ 23.48 | 634,045 | $ 23.23 |

Exercise prices for options outstanding as of June 30, 2005, ranged from $20.25 to $27.90. The weighted-average remaining contractual life of those options is approximately six years.

NOTE I – STOCK COMPENSATION PLAN

In May 2004, the shareholders of the Company approved a stock incentive plan, the 2004 Stock Incentive Plan, for designated employees and a stock compensation plan for the Board of Directors. The 2004 Stock Incentive Plan provides for the making of awards to employees based upon time-based criteria and through the achievement of performance-related objectives. Performance-related objectives are stratified into threshold, target, and maximum goals. Under the 2004 Stock Incentive Plan, the Company has granted to current employees in the plan potential stock awards from zero shares if below the threshold performance, to 276,369 shares for threshold performance and up to a maximum of 483,270 shares for maximum performance. These shares are being expensed over the expected vesting period based on each performance criterion. The Company makes estimates of the number of shares that will actually be granted based upon estimated ranges of success in meeting defined performance measures. Each year the Company will update these estimates and reflect the change to the estimate in the income statement. Total expense related to this plan for the six months ending June 30, 2005 was $1,163,000. There was $616,000 of cost related to the 2004 Stock Incentive Plan for the same period of 2004.

Under the Board of Directors compensation plan, each Director will receive a portion of their annual compensation in restricted stock (unless that Director controls over 15% of Company stock) and a portion in cash. Each Director has the option of electing to receive the cash portion of his annual retainer in restricted stock. During 2005, 4,190 shares of stock were granted. Total expense related to Director stock compensation at June 30, 2005 was $137,000. During the first six months of 2004, Director stock compensation was also $137,000.

NOTE J – RETIREMENT PLAN

The Company has a defined benefit plan that covers many of its employees. The benefits are based on years of service and the employee's five-year final average salary. Contributions are intended to provide for benefits attributable to service both to date and expected to be provided in the future. The Company funds the plan in accordance with the Employee Retirement Income Security Act of 1974 (ERISA). The Company expects to contribute approximately $500,000 to the plan during 2005.

Plan assets consist of equity, debt and short-term money market investment funds. The weighted-average discount rate and rate of increase in future compensation levels used in determining the periodic pension cost is 5.0% and 4.0% in 2005 and 2004. The expected long-term rate of return on plan assets is 7.5% in 2005 and 2004.

The total pension and retirement expense for the six months ended June 30 was as follows (in thousands):

| | 2005 | 2004 |
|---|---|---|
| Cost components: | | |
| Service cost-benefits earned during the period | $(116) | $ (92) |
| Interest cost on projected benefit obligation | (96) | (78) |
| Expected return on plan assets | 50 | 100 |
| Net amortization and deferral | — | (90) |
| Total net periodic pension cost | $(162) | $(160) |

## Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*Throughout "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Quantitative and Qualitative Disclosures About Market Risk" below and "Notes to Unaudited Consolidated Condensed Financial Statements" on the preceding pages of this report, management has made forward-looking statements regarding future developments, future revenue and income of our crops, future special taxes associated with our industrial complex, the adequacy of future cash flows to fund our operations, potential losses to the Company as a result of pending environmental proceedings, our risks with respect to a guarantee of indebtedness on a jointly owned industrial building, and market value risks associated with investment and risk management activities and with respect to inventory, accounts receivable, marketable securities, and outstanding indebtedness. These forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company, or industry results, to differ materially from any future results, performance, or achievement predicted or implied by such forward-looking statements. These risks, uncertainties and important factors include, but are not limited to, weather, market and economic forces, availability of financing for land development activities, and success in obtaining various governmental approvals and entitlements for land development activities. No assurance can be given that the actual future results will not differ materially from the forward-looking statements.*

### Overview

We are a diversified real estate development and agribusiness company committed to responsibly using our land and resources to meet the housing, employment, and lifestyle needs of Californians and to create value for our shareholders. In support of these objectives we have been investing in land planning and entitlement activities for new industrial and residential land developments and in infrastructure improvements within our active industrial development.

Our business model is designed to create value through the entitlement and development of land for commercial/industrial and resort/residential uses while at the same time protecting significant portions of our land for conservation purposes.

We currently operate in three business segments: commercial/industrial real estate development and services; resort/residential real estate development; and farming.

Commercial/industrial real estate development generates revenues from lease activities, land sales, build-to-suit building sales and leases, oil and mineral royalties and grazing leases. Resort/residential land development does not currently produce revenues but is actively involved in the land entitlement process. Farming produces revenues from the sale of grapes, almonds, pistachios, and walnuts.

For the first six months of 2005, we have a net loss of $1,824,000, compared to a loss of $1,743,000 for the first six months of 2004. The increase in loss during 2005 when compared to the same period of 2004 is primarily due to the impact of income from discontinued operations within 2004.

Results from continuing operations, including interest and other income after taxes for the first six months of 2005, was a loss of $1,824,000, compared to a loss of $2,202,000 for the same period of 2004. The improvement in continuing operations for the first six months of 2005 is due to improved operating profits in the real estate-commercial/industrial segment, a reduction in the operating loss in farming, and to higher investment income. These improvements were partially offset by higher corporate expenses.

**Critical Accounting Policies**

The preparation of our interim financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to revenue recognition, impairment of long-lived assets, capitalization of costs, profit recognition related to land sales, and defined benefit retirement plans. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Our critical accounting policies have not changed since the filing of our 2004 Form 10 – K. Please refer to this filing for a description of our critical accounting policies.

New Accounting Pronouncements

On October 13, 2004, the FASB concluded that Statement No. 123R, “Share-Based Payment,” would require all companies to measure compensation cost for all share-based payments at fair value and would be effective for public companies for interim or annual periods beginning after June 15, 2005. On April 14, 2005, the Securities and Exchange Commission announced a rule amending the compliance dates for Statement No. 123R. This means that we are now required to implement the standard for the first quarter of 2006.

The Company currently follows Accounting Principles Board (APB) Opinion No. 25, “Accounting for Stock Issued to Employees,” and because the exercise price of the stock options granted by the Company equals the market price of the underlying stock on the date of the grant, no compensation expense has been recognized. The potential impact to the Company of applying Statement No. 123R is shown in Note H – Stock Option Information - in the Notes to Unaudited Consolidated Condensed Financial Statements.

FASB Interpretation No. 47, “Accounting for Conditional Asset Retirement Obligations,” was issued in March 2005. This interpretation clarifies that the term “conditional asset retirement obligation,” as used in FASB No. 143, refers to a legal obligation to perform an asset retirement activity on which timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. The Company has reviewed FASB Interpretation No. 47 and concluded that this new pronouncement has no impact on operations or reporting at this time.

FASB Statement No. 154, “Accounting Changes and Error Corrections,” was issued during May 2005. This statement has been issued as a replacement of APB Opinion No.20, “Accounting Changes” and FASB Statement No. 3, “Reporting Accounting Changes in Interim Financial Statements.” This statement requires retrospective application of any change in accounting principles to the financial statements of prior periods, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. When it is impracticable to determine the period-specific effects, this statement requires that the new accounting principle be applied to the balances of assets and liabilities as of the beginning of the earliest period for which retrospective application is practicable and that a corresponding adjustment be made to the opening balance of retained earnings for that period rather than being reported in the income statement. The Company has reviewed FASB Statement No. 154 and concluded that this pronouncement will not have an impact on operations or reporting at this time.

Results of Operations

Total revenue from segment operations for the six months ended June 30, 2005 was $7,261,000 compared to $4,458,000 for the same period of 2004. Other income, including interest income, was $1,208,000 for the six-month period compared to $244,000 for the same period of 2004. The growth in revenue during the first half of 2005 is due to increased commercial/industrial real estate revenue, increased farming revenue and higher interest income. Commercial/industrial real estate revenue grew $1,500,000 due to higher oil and mineral royalty income and higher commercial lease revenue. Oil and mineral royalty income improved due to higher oil prices and higher production. Commercial lease revenue improved during the first six months of 2005 due primarily to improved returns from the power plant lease. Power plant revenue improved due to the ending of a grace period during 2004 that was related to the timing of construction of the plant. Farming revenues increased $1,303,000 primarily due to the sale of 2004 crop almonds that were inventoried at year-end and to the collection of additional grape revenue related to the 2004 grape crop. The sale of 2004 crop almonds accounted for $1,408,000 of the reported farming revenue. Interest income improved due to an increase in investments as a result of a private equity placement completed during the second quarter of 2004.

The net loss for the six months ended June 30, 2005 was $1,824,000 or $0.11 per share, diluted, compared to a net loss of $1,743,000 or $0.12 per share, diluted, for the same period of 2004. The 2005 loss was derived entirely from continuing operations whereas the 2004 loss included a loss from continuing operations of $2,202,000 or $0.15 per share, diluted. The improved 2005 results from continuing operations are largely attributable to increased revenues as described above. The improvement in revenue was partially offset by $2,992,000 of increased costs in our operating segments. Resort/residential real estate expenses for the six months increased $576,000 when compared to 2004 due to increased spending on a public outreach campaign related to future residential developments, higher contract and professional service fees, and a reduction in indirect costs capitalized to our real estate projects. Commercial/industrial real estate expenses grew $588,000 due primarily to increased compensation costs of $303,000, increased repairs and maintenance costs of $149,000 due primarily to the demolition of an old previously leased commercial building, and increased legal and marketing costs of $94,000 related to activities at Tejon Industrial Complex-West. Farming expenses increased $834,000 in the first six months of 2005 as compared to 2004 due to the recognition of costs related to the sale of the remaining 2004 almond crop. Corporate expenses increased $994,000, of which $767,000 was attributable to compensation costs. The increases in compensation costs for our real estate and corporate segments in 2005 as compared to 2004 is largely due to the expensing of $496,000 of costs related to the 2004 employee stock incentive plan, which were not expensed in the prior year.

Total revenues for the second quarter of 2005, including investment and other income, were $4,319,000 compared to $2,585,000 for the second quarter of 2004. This increase of $1,734,000 is primarily attributable to increases in oil and mineral royalties, commercial/industrial lease revenues, $522,000 of farming revenue (primarily from 2004 almond crop sales), and $472,000 of increased interest income.

For the second quarter of 2005, the Company had a net loss of $840,000 or $0.05 per share, diluted, compared to a loss for the same quarter of 2004 of $476,000 or $0.03 per share, diluted. The net loss for the second quarter of 2004 was comprised of a loss from continuing operations of $998,000 or $0.06 per share, diluted and income from discontinued operations of $522,000 or $0.03 per share, diluted. The results from continuing operations during the second quarter of 2005 improved over the second quarter of 2004 due to improved revenues as described above. The improved revenues for the second quarter were partially offset by increased expenses in all of our operating segments. Expenses in the commercial/industrial real estate segment increased $403,000 due mainly to increased repairs and maintenance costs of $152,000, increased compensation costs of $73,000, and increased marketing and legal costs at Tejon Industrial Complex-West of $101,000. Increased costs of $375,000 in the resort/residential segment were primarily due to increased marketing and public relations campaign costs. Farming costs grew $416,000 during the second quarter of 2005 due to cost of sales related to the sale of 2004 crop almonds during 2005. Corporate costs increased $223,000 during the quarter due primarily to $202,000 of higher compensation costs reflecting increased staffing levels.

During 2004 and 2003, the market for our industrial product was slowed first by a downturn in activity due to market conditions and then by a reluctance of firms to commit to expansion as the economy was beginning to improve. As a relatively new competitor within the commercial/industrial market, our marketing efforts have been focused on educating potential users about the logistical benefits of our site and to the success that current tenants and owners within our development have had. We believe that as California's population continues to grow and the economy continues its expansion, we will begin to see an increase in industrial activities at Tejon Industrial Complex. Our development fits very well within the logistics model that companies are beginning to use that favors larger single-site buildings rather than a number of smaller decentralized distribution centers. Buildings of 1.0 million square feet or larger are difficult to build in Los Angeles due to the number of acres necessary for a building of that size. We believe that our ability to provide land parcels large enough to support buildings of that size will provide us with a potential marketing advantage.

We expect that during the remainder of 2005 and in future periods, our real estate segments will continue to see increases in costs primarily related to higher professional service fees, planning, entitlement, and staffing as we continue to increase our real estate activities and pursue development opportunities. The timing and completion of entitlement and development related activities is difficult to predict due to uncertainties inherent in the approval processes and market factors and, as a result, the timeing and magnitude of costs associated with these activities are difficult to predict.

All of our crops are particularly sensitive to the size of each year's world crop. Large crops in California and abroad can rapidly depress prices. Although it is early in the year to accurately predict production for the year's crops, early estimates for almonds and pistachios indicate that crop production for 2005 could be less than 2004. Production estimates for 2005 are lower due to weather factors and the fact that 2005 is the off-production year for pistachios. Prices remain strong for almonds and pistachios and are improving for our grapes. Strong demand, both in the United States and export markets for almonds and pistachios is keeping prices at high levels. However, sudden increases in the value of the dollar or improved production in other parts of the world could negatively impact exports and current prices. We continue to believe that, on a statewide basis, the long-term production trend will continue to increase for the crops we grow. This long-term trend in production could lead to a future decline in the prices received for the crops we grow.

Prices received for many of our products are dependent upon prevailing market conditions and commodity prices. Therefore, we are unable to accurately predict revenue and we cannot pass on any cost increases caused by general inflation, except to the extent such inflation is reflected in market conditions and commodity prices. The operations of the Company are seasonal and future results of operations cannot be predicted based on quarterly results. Future real estate sales and leasing activity are dependent on market circumstances and specific opportunities and therefore are difficult to predict from period to period.

For further discussion of the risks and uncertainties that could potentially adversely affect us, please refer to the Company's 2004 Form 10-K, Part I, Item 7 – "Management's Discussion and Analysis of Financial Condition and Results of Operations".

We continue to be involved in various environmental proceedings related to leased acreage. For a further discussion, refer to Note D – Commitments and Contingencies – in the Notes to Unaudited Consolidated Condensed Financial Statements.

Results of Discontinued Operations

Discontinued operations consist of the operations of Pacific Almond, an almond processing plant sold in April 2004, and three commercial buildings in Phoenix, Arizona that were sold in November 2004.

There have been no discontinued operations during 2005 and there are no discontinued assets or liabilities as of June 30, 2005. For the first six months of 2004, discontinued operations consisted of a gain of $386,000 from Pacific Almond, and $73,000 of net income from the Arizona buildings, resulting in a net gain of $459,000.

Income Taxes

Income tax benefits totaled $1,327,000 through the second quarter of 2005. This is compared to $1,161,000 of benefits for the same period of 2004. The tax benefit for the first six months of 2004 consisted of $1,468,000 of benefit related to continuing operations and $307,000 of tax expense related to discontinued operations. These represent effective income tax rates of approximately 42% in 2005 and 40% in 2004.

Cash Flow and Liquidity

Our cash, cash equivalents and marketable securities totaled approximately $63,429,000 at June 30, 2005, a decrease of $963,000 from the corresponding amount at the end of 2004. Cash, cash equivalents and marketable securities decreased during the first six months of 2005 due primarily to land development project costs. These outflows were partially offset by cash from operating activities and proceeds from the exercise of stock options.

The following table shows our cash flow activities for the six months ended June 30:

| *(in thousands)* | **2005** | **2004** |
|---|---|---|
| Operating activities | $ 2,379 | $ (2,044) |
| Investing activities | (10,379) | (21,901) |
| Financing activities | 2,280 | 27,400 |
| Discontinued Operations | — | 1,517 |

During the first six months of 2005, operations provided $2,379,000 of cash reflecting improved business results from continuing operations, especially when non-cash stock compensation costs are added back to operations, and to the collection of accounts receivable. During 2004, the net cash used in operations was the result of the net loss for the year, increases in farm inventories, and a reduction in payables.

During the first six months of 2005, we used $10,379,000 for investing, primarily reflecting investments in marketable securities of $8,449,000 and capital investment spending of $4,981,000. Cash used in investing activities during the first six months of 2004 was $21,901,000, consisting of capital investment spending and investment in marketable securities being partially offset by maturing securities and the receipt of proceeds from a community facilities district.

It is anticipated that throughout the remaining six months of 2005 we will continue to invest funds in our real estate development projects. We estimate that our capital investment requirements over this period of time could total approximately $7,000,000 to $9,000,000.

During the first six months of 2005, financing activities provided $2,280,000 in cash, primarily due to net proceeds from the exercise of stock options. Cash provided by financing activities for the first six months of 2004 totaled $27,400,000 due to the receipt of funds from a private equity placement during the second quarter of 2004 being partially offset by the repayment of our long-term line of credit.

We have no cash flow from discontinued operations for the six months ended June 30, 2005. During the first six months of 2004, cash provided by discontinued operations was $1,517,000.

It is difficult to accurately predict cash flows due to the nature of our businesses and to fluctuating economic conditions. Our earnings and cash flows will be affected from period to period by the commodity nature of our farming operations and by the timing of sales and leases of property within our development projects. The timing of sales and leases within our development projects is difficult to predict due to the time necessary to complete the development process and negotiate sales or lease contracts. Often, this variability in the land development process can lead to particular years or periods having more or less earnings than comparable periods. Based on our experience, we believe we will have adequate cash flows and cash balances over the next twelve months to fund internal operations.

Capital Structure and Financial Condition

Management considers our financial structure and condition to be solid. At June 30, 2005, total capitalization was $135,046,000, consisting of $481,000 of debt and $ 134,565,000 of equity, resulting in a debt-to-total-capitalization ratio of less than one percent.

We have a long-term revolving line of credit of $30,000,000 that, as of June 30, 2005, had no outstanding balance. At the Company’s option, the interest rate on this line of credit can be fixed at 1.50% over a selected LIBOR rate or float at .75% less than the bank’s prime lending rate. During the term of this credit facility, we can borrow at any time and partially or wholly repay any outstanding borrowings and then re-borrow, as necessary. Any outstanding principal balance is due and payable in full on June 5, 2007. This note is secured by all of our farm acreage. The remaining long-term debt, less current portion of $24,000, is $457,000 at June 30, 2005. This note is for a loan that provides long-term financing for a building being leased to Starbucks. This note has a maturity date of May 1, 2018.

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Contractual Cash Obligations

The following table summarizes our contractual cash obligations and commercial commitments over the next five years:

| | Payments Due by Period (in thousands) | | | | |
|---|---|---|---|---|---|
| | Total | One Year or Less | Years 2-3 | Years 4-5 | After 5 Years |
| CONTRACTUAL OBLIGATIONS: | | | | | |
| Long-term debt | $ 481 | $ 24 | $ 53 | $ 61 | $ 343 |
| Cash contract commitments | $3,072 | $ 3,072 | $ — | $ — | $ — |
| Total contractual obligations | $3,553 | $ 3,096 | $ 53 | $ 61 | $ 343 |

The categories above include purchase obligations and other long-term liabilities reflected on our balance sheet under GAAP. A "purchase obligation" is defined in Item 303(a)(5)(ii)(D) of Regulation S-K as "an agreement to purchase goods or services that is enforceable and legally binding on [us] and that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction." Based on this definition, the table above includes only those contracts that include fixed or minimum obligations. It does not include normal purchases, which are made in the ordinary course of business.

Our contractual cash commitments consist of contracts in various stages of completion related to infrastructure development within our industrial developments, entitlement and planning costs related to our industrial and residential development projects, and a company public relations campaign. These commitments do not include any on-going operational costs such as utilities and maintenance contracts for equipment. Many of these commitments are for future services and until the service is rendered we have no obligation to pay. Therefore, many of the above commitments are not included in accounts payable on the balance sheet because we have no current payment obligation. At the present time, we do not have any capital lease obligations or purchase obligations outstanding. Our operating lease obligations are primarily for office equipment, a small land lease, and three vehicle leases. These operating lease obligations average approximately $7,500 per month.

As discussed in Note J to the Unaudited Consolidated Condensed Financial Statements, we have long-term liabilities for employee retirement plans. The payments related to the supplemental retirement plan are not included above since they are dependent upon when the employee retires or leaves the Company. In addition, minimum pension funding requirements are not included above as such amounts are not available for all periods presented. We estimate that we will contribute approximately $500,000 to the pension plan in 2005. During 2004, we made approximately $350,000 in pension plan contributions.

Off-Balance Sheet Arrangements

The following table shows contingent obligations we have with respect to unconsolidated entities in which we have an interest, and certain bonds issued by a local Community Facilities District:

| | Amount of Commitment Expiration Per Period (in thousands) | | | | |
|---|---|---|---|---|---|
| | Total | One Year or Less | Years 2-3 | Years 4-5 | After 5 Years |
| OTHER COMMERCIAL COMMITMENTS: | | | | | |
| Standby letter of credit | $ 4,584 | $ 4,584 | $ — | $ — | $ — |
| Guarantee | $ 6,000 | $ 6,000 | $ — | $ — | $ — |
| Total other commerical commitments | $ 10,584 | $ 10,584 | $ — | $ — | $ — |

The standby letter of credit is related to the issuance of Community Facilities District bonds by the Tejon Ranch Public Facilities Financing Authority, a joint-powers authority created by Kern County and the Tejon-Castac Water District. The standby letter of credit is in place to provide additional credit enhancement and covers approximately two years worth of interest on the outstanding bonds. This letter of credit will not be drawn upon unless we, as the largest landowner in the district, fail to make our property tax payments. This letter of credit is in place through June 2006 and will be renewed at that time, if necessary.

The guarantee consists of a $6,000,000 guarantee related to debt within the Tejon Dermody Industrial LLC, an unconsolidated joint venture, formed to construct and market a 651,000-square foot building at the Tejon Industrial Complex-West. Total debt in the venture is approximately $12,021,000 and was used in the construction of the building. In the joint venture agreement, each partner agreed to guarantee one half of the outstanding debt through the term of the loan. This loan currently matures in January 2006. The Company believes it is unlikely that it will ever be required to make payments under this guarantee.

Our current and future capital resource requirements will be provided primarily from current cash and marketable securities, cash flow from ongoing operations, proceeds from the sale of developed parcels, potential sale of assets, additional use of debt, proceeds from the reimbursement of public infrastructure costs through Community Facilities District bond debt, and the issuance of common stock. As noted above, we have $63,429,000 in cash and securities and $30,000,000 available on credit lines to meet any short-term liquidity needs. We continue to expect that substantial investments will need to be made in future years in our land assets to secure entitlements and develop the land. In order to meet these long-term capital requirements, we will need to secure additional debt financing and continue to renew our existing credit facilities. In addition to debt financing, we will use other capital alternatives such as joint ventures with financial partners, sales of assets, and the issuance of common stock. There is no assurance that we can obtain financing from any of these sources or that we can obtain financing at favorable terms.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that may impact the financial position, results of operations, or cash flows of the Company due to adverse changes in financial or commodity market prices or rates. We are exposed to market risk in the areas of interest rates and commodity prices.

Financial Market Risks

Our exposure to financial market risks includes changes to interest rates and credit risk related to marketable securities, interest rates related to our own outstanding indebtedness and trade receivables.

The primary objective of our investment activities is to preserve principal while at the same time maximizing yields and prudently managing risk. To achieve this objective and limit interest rate exposure, we limit our investments to securities with a maturity of less than six years and an investment grade of “A” or better from Moody’s or Standard and Poors. See Note C, Marketable Securities, of Notes to Unaudited Consolidated Condensed Financial Statements.

We are exposed to interest rate risk on our long-term line of credit, which currently has no outstanding balance, and the long-term debt currently outstanding. The line-of-credit interest rate can be tied to the lending bank’s prime rate and would change when that rate changes, or the debt can be tied to a LIBOR rate on a fixed basis and change only at maturity of the fixed-rate feature. The long-term debt ($481,000) has a fixed interest rate, and the fair value of this long-term debt will change based on interest rate movements in the market. The floating rate feature in our line of credit can expose us to variability in interest payments due to changes in the interest rates. We believe it is prudent at times to limit the variability of floating rate interest payments and in the past entered into interest rate swaps to manage those fluctuations.

At June 30, 2005, we had no outstanding interest rate swap agreements. However, Petro Travel Plaza LLC, an unconsolidated joint venture, has an interest rate swap agreement with respect to $7.0 million of its long-term debt to manage interest rate risk by converting floating interest rate debt to fixed-rate debt. This swap agreement matures in November. The interest rate swap fixed rate is 4.33%. The joint venture accounts for the swap agreement as a cash flow hedge in accordance with FASB Statement No. 133, “Accounting for Derivative Investments and Hedging Activities.”

We record our pro rata change in the fair market value of the interest rate swap in accumulated other comprehensive income. As of June 30, 2005 the Company’s portion of the fair market value of the interest rate swap was a loss of $50,000. Estimated fair value of the swap was determined by market price quotes as of June 30, 2005, received from the joint venture’s bank.

Market risk related to our inventories ultimately depends on the value of almonds, grapes, pistachios, and walnuts at the time of payment or sale. Credit risk related to our receivables depends upon the financial condition of our customers. Based on historical experience with our current customers and periodic credit evaluations of our customers’ financial conditions, we believe our credit risk is minimal. Market risk is discussed below in the section pertaining to commodity price exposure.

The following tables provide information about our financial instruments that are sensitive to changes in interest rates. The tables present our debt obligations, principal cash flows and related weighted-average interest rates by expected maturity dates.

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Interest Rate Sensitivity Financial Market Risks
Principal Amount by Expected Maturity
At June 30, 2005
(Dollars in Thousands)

| | 2005 | 2006 | 2007 | 2008 | 2009 | Thereafter | Total | Fair Value at 06/30/2005 |
|---|---|---|---|---|---|---|---|---|
| **Assets:** | | | | | | | | |
| Marketable securities | $ 843 | $2,214 | $14,461 | $9,146 | $31,544 | $ 4,827 | $63,035 | $ 62,457 |
| Weighted average interest rate | 3.90% | 2.89% | 3.16% | 3.63% | 3.90% | 4.15% | 3.67% | |
| **Liabilities** | | | | | | | | |
| Long-term debt | $ 12 | $ 25 | $ 27 | $ 29 | $ 30 | $ 358 | $ 481 | $ 481 |
| Weighted average interest rate | 6.75% | 6.75% | 6.75% | 6.75% | 6.75% | 6.75% | 6.75% | |

Interest Rate Sensitivity Financial Market Risks
Principal Amount by Expected Maturity
At December 31, 2004
(Dollars in Thousands)

| | 2005 | 2006 | 2007 | 2008 | 2009 | Thereafter | Total | Fair Value at 12/31/04 |
|---|---|---|---|---|---|---|---|---|
| **Assets:** | | | | | | | | |
| Marketable securities | $4,111 | $2,197 | $14,487 | $6,966 | $28,344 | $ 1,812 | $57,917 | $ 57,700 |
| Weighted average interest rate | 4.78% | 2.91% | 3.16% | 3.49% | 3.88% | 4.01% | 3.69% | |
| **Liabilities** | | | | | | | | |
| Short-term debt | $ 80 | $ — | $ — | $ — | $ — | $ — | $ 80 | $ 80 |
| Weighted average interest rate | 5.00% | — % | — % | — % | — % | — % | 5.00% | |
| Long-term debt | $ 23 | $ 25 | $ 27 | $ 29 | $ 30 | $ 358 | $ 492 | $ 492 |
| Weighted average interest rate | 6.75% | 6.75% | 6.75% | 6.75% | 6.75% | 6.75% | 6.75% | |

Our risk with regard to fluctuations in interest rates has decreased related to the use of debt due to the reduction in the use of long-term lines of credit that fluctuate with the bank's prime lending rate but has increased with regard to our marketable securities due to the increase in outstanding balances.

Commodity Price Exposure

As of June 30, 2005 we have exposure to adverse price fluctuations associated with certain inventories and accounts receivable. Inventories consist of farming and processing costs related to 2004 crop production. The farming costs inventoried are related to the 2004 crop and are recorded at actual costs incurred. Historically, these costs have been recovered each year when that year's crop harvest has been sold.

With respect to accounts receivable, the amount at risk relates primarily to farm crops. These receivables are recorded as estimates of the prices that ultimately will be received for the crops. The final price is generally not known until the third or fourth quarter of the following year. Of the accounts receivable outstanding at June 30, 2005, $1,168,000 is at risk to changing prices. Of the amount at risk to changing prices, $1,039,000 is attributable to almonds, and $129,000 is attributable to pistachios. The comparable amount of accounts receivable at risk to price changes at December 31, 2004 was $6,360,000. Of the December 31, 2004 amount at risk to changing prices, $4,220,000 is related to almonds, $1,909,000 is related to pistachios, and $231,000 is related to walnuts.

The price estimated for recording accounts receivable for almonds was $2.53 per pound at December 31, 2004, and is $3.85 per pound at June 30, 2005. For each $.01 change in the price of almonds, our receivable for almonds increases or decreases by $3,100. Although the final price of almonds (and therefore the extent of the risk) is not presently known, over the last three years prices have ranged from $1.00 to $3.85. With respect to pistachios, the price estimated for recording the receivable was $1.36 per pound. For each $.01 change in the price of pistachios, our receivable for pistachios increases or decreases by $1,000. The range of final prices over the last three years for pistachios has ranged from $1.05 to $1.40.

## ITEM 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, we have carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer, Chief Financial Officer, and Controller, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-14 of the Securities and Exchange Commission under the Securities Exchange Act of 1934. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure control and procedures are effective in timely alerting them to material information relating to our company (including our consolidated subsidiaries) required to be included in our periodic SEC filings.

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. As defined by the SEC, internal control over the financial reporting is a process designed by, or supervised by, the Company's principal executive and principal financial officers, to provide reasonable assurance regarding the reliability of the financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles.

The Company's internal control over the financial reporting is supported by written policies and procedures, that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets; (2) 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 the Company's management and directors; and (3) 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.

There have been no changes during the last fiscal quarter in our internal controls over financial reporting that have materially affected nor are reasonably likely to materially affect our internal controls over financial reporting.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. 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.

## PART II – OTHER INFORMATION

### Item 1. Legal Proceedings

Not applicable.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

### Item 3. Defaults Upon Senior Securities

Not applicable.

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

(a) The Annual Meeting of Shareholders was held on May 3, 2005

(b) The following directors were elected at the annual meeting:

| | |
|---|---|
| John L. Goolsby | Kent G. Snyder |
| Norman Metcalfe | Michael H. Winer |

In addition to the directors elected at the Annual Meeting, the following directors' terms of office continued after the meeting:

| | |
|---|---|
| Craig Cadwalader | Geoffrey L. Stack |
| Dan Daniels | Robert C. Ruocco |
| George G.C. Parker | Robert A. Stine |

(c) During the Annual Meeting, an election of directors was submitted to a vote of the security holders. Each of the persons named in the Proxy Statement as nominee for director was elected. The following are the voting results on each of the nominees for director:

| Election of Directors | Votes For | Votes Withheld | Broker Non-Votes |
|---|---|---|---|
| John L. Goolsby | 15,130,155 | 27,346 | 1,283,000 |
| Norman Metcalfe | 15,130,170 | 27,331 | 1,283,000 |
| Kent G. Snyder | 15,072,540 | 84,961 | 1,283,000 |
| Michael H. Winer | 15,129,851 | 27,650 | 1,283,000 |

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**Item 5. Other Information**

None

**Item 6. Exhibits**

| | | Page Number |
|---|---|---|
| (a) | Exhibits – | |
| 3.1 | Restated Certificate of Incorporation | FN 1 |
| 3.2 | By-Laws | FN 1 |
| 4.1 | Form of First Additional Investment Right | FN 2 |
| 4.2 | Form of Second Additional Investment Right | FN 3 |
| 10.1 | Water Service Contract with Wheeler Ridge-Maricopa Water Storage District (without exhibits), amendments originally filed under Item 11 to Registrant’s Annual Report on Form 10-K | FN 4 |
| 10.5 | Petro Travel Plaza Operating Agreement | FN 5 |
| 10.6 | Amended and Restated Stock Option Agreement Pursuant to the 1992 Employee Stock Incentive Plan | FN 5 |
| 10.7 | Severance Agreement | FN 5 |
| 10.8 | Director Compensation Plan | FN 5 |
| 10.9 | Non-Employee Director Stock Incentive Plan | FN 5 |
| 10.9(1) | Stock Option Agreement Pursuant to the Non-Employee Director Stock Incentive Plan | FN 5 |
| 10.10 | 1998 Stock Incentive Plan | FN 5 |
| 10.10(1) | Stock Option Agreement Pursuant to the 1998 Stock Incentive Plan | FN 5 |
| 10.11 | Employment Contract - Robert A. Stine | FN 5 |
| 10.15 | Amendment to 1998 Stock Incentive Plan | FN 6 |
| 10.16 | Lease Agreement with Calpine Corp. | FN 7 |
| 10.17 | Tejon/DP Partners Operating Agreement | FN 7 |
| 10.18 | Centennial Founders LLC Agreement | FN 8 |

| | | |
|---|---|---|
| 10.19 | Form of Securities Purchase Agreement | FN 9 |
| 10.20 | Form of Registration Rights Agreement | FN 10 |
| 10.21 | 2004 Stock Incentive Program | FN 11 |
| 10.22 | Form of Restricted Stock Agreement | FN 11 |
| 10.23 | Form of Restricted Stock Unit Agreement | FN 11 |
| 31.1 | Certification as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | |
| 31.2 | Certification as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | |
| 32 | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | |

FN 1 This document, filed with the Securities and Exchange Commission in Washington D.C. (file number 1-7183) under Item 14 to our Annual Report on Form 10-K for year ended December 31, 1987, is incorporated herein by reference.

FN 2 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 4.1 to the company's Periodic Report on Form 8-K filed on May 7, 2004, is incorporated herein by reference.

FN 3 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number I-7183) as Exhibit 4.2 to the Company's Periodic Report on Form 8-K filed on May 7, 2004, is incorporated herein by reference.

FN 4 This document, filed with the Securities and Exchange Commission in Washington D.C. (file number 1-7183) under Item 14 to our Annual Report on Form 10-K for year ended December 31, 1994, is incorporated herein by reference.

FN 5 This document, filed with the Securities and Exchange Commission in Washington D.C. (file number 1-7183) under Item 6 to our 10-K, for the period ending December 31, 1997, is incorporated herein by reference.

FN 6 This document filed with the Securities and Exchange Commission in Washington D.C. (file number 1-7183) under Item 14 to our Annual Report on Form 10-K for the year ended December 31, 2000, is incorporated herein by reference.

FN 7 This document filed with the Securities and Exchange Commission in Washington D.C. (file number 1-7183) under Item 14 to our Annual Report on Form 10-K for the year ended December 31, 2001, is incorporated herein by reference.

FN 8 This document, filed with the Securities and Exchange Commission in Washington D.C. (file number 1-7183) under Item 6 to our 10-Q, for the period ending September 30, 2002, is incorporated herein by reference

FN 9 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 10.1 to the Company's Periodic Report on Form 8-K filed on May 7, 2004, is incorporated herein by reference.

FN 10 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1/7183) as Exhibit 10.2 to the Company's Periodic Report on Form 8-K filed on May 7, 2004, is incorporated herein by reference.

FN 11 This document filed with the Securities and Exchange Commission in Washington D.C. (file number 1-7183) under Item 14 to our Annual Report on Form 10-K for the year ended December 31, 2004, is incorporated herein by reference.

(b) Reports on Form 8-K filed during the last quarter of the period covered by this report -

1. 8-K announcing the departure of Jeff Warren, Vice President of Ranch Operations. Date of report was April 4, 2005.
2. Press release announcing results of operations for period ending March 31, 2005. Date of report was May 5, 2005.
3. Press release announcing that Tejon Ranch Co. and the Trust for Public Land unveiled the Tejon Ranch Preserve, a 100,000-acre preserve on the Company's lands. Date of report was May 24, 2005.

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SIGNATURES

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

| | |
|---|---|
| | TEJON RANCH CO.<br>(The Company) |
| August 8, 2005<br>DATE | BY /s/ Allen E. Lyda<br>Allen E. Lyda<br>Vice President, Chief<br>Financial Officer |

**EXHIBIT 31.1**

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

I, Robert A. Stine, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tejon Ranch Co.;
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 15(d)-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 conclusion 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 the 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.

Dated: August 8, 2005

/s/ ROBERT A. STINE

ROBERT A. STINE
President and Chief Executive Officer

**EXHIBIT 31.2**

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

I, Allen E. Lyda, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tejon Ranch Co.;
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 15(d)-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 conclusion 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 the 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.

Dated: August 8, 2005

/S/ ALLEN E. LYDA
ALLEN E. LYDA
Vice President and Chief Financial Officer

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

Each of the undersigned hereby certifies, in his/her capacity as an officer of Tejon Ranch Co. (the “Company”), for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his own knowledge:

- The Quarterly Report of the Company on Form 10-Q for the period ended March 31, 2005 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- The information contained in such report fairly presents, in all material respects, the financial condition and results of operation of the Company.

A signed original of this written statement required by Section 906 has been provided to Tejon Ranch Co. and will be retained by Tejon Ranch Co., and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: August 8, 2005

/s/ Robert A. Stine
Robert A. Stine,
Chief Executive Officer

/s/ Allen E. Lyda
Allen E. Lyda
Chief Financial Officer