

TEJON RANCH COMPANY



2009 Annual Report

Our Vision for the Future

TEJON RANCH COMPANY is a diversified real estate development and agribusiness company committed to responsibly using its land and resources to meet the housing, employment and lifestyle needs of Californians and to create value for its shareholders. The Company's Vision is guided by the Ranch's historic core values of conservation and good stewardship.



To Our Valued Shareholders

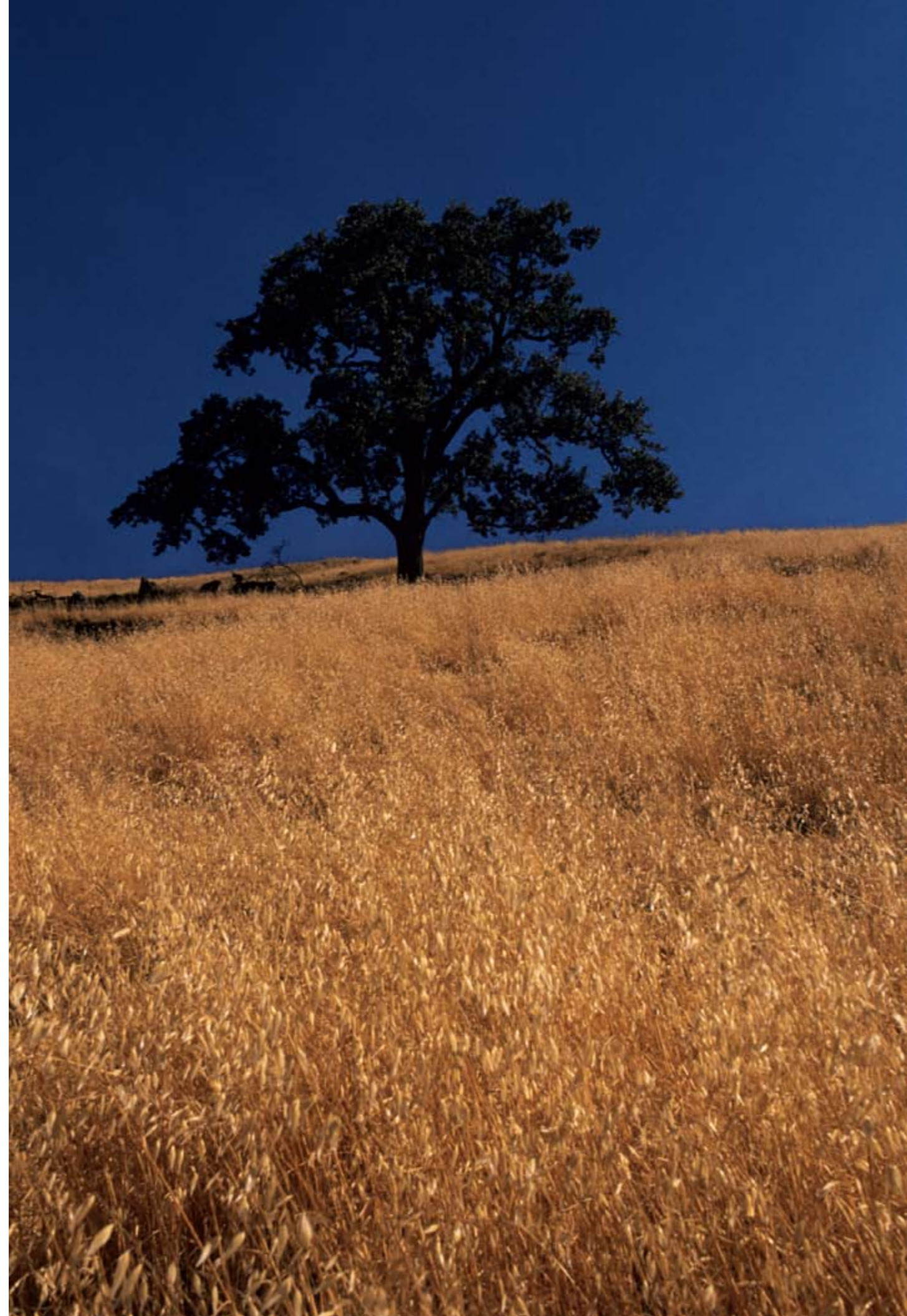


*Robert A. Stine
President &
Chief Executive Officer*

WHEN I LOOK OVER THE REMARKABLE LANDSCAPE of Tejon Ranch, especially at the magnificent oak trees that grace our property, I'm reminded that these strong and stately trees have withstood many tremendous storms over the past centuries. Just last year, for example, sustained winds of over 70 MPH were recorded on Grapevine Peak as California was buffeted by a strong Pacific storm. These storms, though infrequent, test the strength of the oaks and help shape and reveal their character. It's been said that the strongest oaks in a forest are not those protected from the storm and hidden from the sun. The strongest tree is the one that stands in the open where it's compelled to struggle for its existence against the winds and rains and the scorching sun. These silent sentinels, many of them hundreds of years old, serve as inspiration. We know that our company, like the oaks that blanket our land, will face many storms in the future, perhaps none more fierce than the one we faced last year.

2009 will certainly go down as one of the most significant periods of economic and financial turmoil in our country's history, the worst economic downturn since the Great Depression. What started in third quarter of 2008 continued through the entirety of 2009, and while this economic storm impacted many companies to a greater degree than us, we were not unaffected. As demand for industrial and commercial properties weakened and commodity prices softened, we responded by cutting back and carefully managing our spending. It also proved necessary to reduce our permanent workforce, an always difficult action to take, but needed as we faced uncertain economic times.

The financial winds and rains of 2009 certainly tested us and caused us to dig deep to be sure that our roots were strong and firmly established, and that our direction was sure. Much like the oak trees that form the backbone of our land, Tejon Ranch Company withstood the economic challenges of 2009 and emerged stronger and more determined than ever. *





Approval of Tejon Mountain Village



Circa 1880

Oaks can live for centuries. There are records of California Oaks living over 600 years old. The average oak lives for 200-300 years, resisting gale strength winds, earthquakes, droughts, floods, fires, hungry animals, insects, fungus, and disease.

On October 5, 2009, the Kern County Board of Supervisors unanimously approved Tejon Mountain Village, our remarkable mountain resort community being developed in partnership with DMB Associates. We expect this high-quality mountain resort community, located just a short drive from the large and affluent Los Angeles market, will be a natural draw for people who want to live in a beautiful natural setting, or who will use the community's exceptional resort facilities for a relaxing respite from the hustle and bustle of urban life.

During the approval hearing, the Supervisors were effusive in their praise for Tejon Mountain Village, noting its environmental sensitivity, the care and planning that went into its design, and the role the new community will play as a prestigious new gateway to Kern County.

"Tejon Mountain Village sets standards for Kern County, sets standards for California, sets standards for the nation," said Supervisor Ray Watson, in whose district Tejon Mountain Village is located.

Supervisor Mike Maggard added, "I don't know how you could be more thorough, more sensitive, or have taken more aggressive steps to mitigate all the environmental concerns than Tejon Ranch has done. They are good stewards of the land."

Board Chairman Jon McQuiston also made it a point to talk about who was not at the hearing as a result of the Tejon Ranch Conservation and Land Use Agreement signed in 2008.

continued

BY THE NUMBERS: *Tejon Mountain Village*

3,450

Tejon Mountain Village is planned on 26,417 acres in the Tebachapi Mountains. The plan will preserve 80 percent of the land as open space; an area roughly one-third the size of Bakersfield. The developed portion of the community will consist of:

- ✦ Resort and recreational facilities, including up to 750 hotel rooms, golf and equestrian opportunities and about 75 miles of hiking, biking and equestrian trails;
- ✦ Up to 3,450 new homes (ranging from resort condominiums to multi-acre custom lots); and
- ✦ 160,000 square feet of publicly accessible commercial space.

The community is expected to generate an estimated 3,100 new jobs, including 1,600 construction jobs during the expected 15- to 20-year build-out process and 1,500 permanent positions. The community will also provide funding for public services such as fire stations and equipment, law enforcement facilities, libraries and schools, as well as provide improvements to local interchanges along Interstate 5.



Site of Tejon Mountain Village



“It’s unusual not to have the Sierra Club and other major environmental organizations present at these meetings,” said Supervisor McQuiston. “It’s a testament to the care and thought that went into the Conservation Agreement.”

“However, in regard to the Center for Biological Diversity,” he noted, “It’s clear that nothing could have been done to satisfy that group.”

The Center for Biological Diversity, along with a small group of other local activist organizations, did file suit against the County of Kern, challenging its approval of Tejon Mountain Village under the California Environmental Quality Act (CEQA). Under CEQA, the approving government entity, in this case the Kern County Board of Supervisors, must be given sufficient information in which to make an informed decision. We are confident that the County acted properly under CEQA, that the environmental documents were thorough and complete, and are hopeful and expectant the Courts will agree. A decision may come before the end of the year. In the meantime, we are continuing our efforts to acquire the state and federal permits that are required before we can commence with construction. 🌱

Tejon Industrial Complex

In June 2009, the Brown Shoe Company opened a new 350,000 square foot distribution facility for its Famous Footwear retail chain at Tejon Industrial Complex. We believe the opening again validates Tejon Industrial Complex as a premier logistics center, especially for companies serving California and adjacent western states. Brown Shoe searched four different states before determining that California, and specifically Tejon Ranch’s industrial center, was the best location from which to send product to its 300 stores located west of the Rockies.

To prepare for the expansion of Tejon Industrial Complex to the east side of Interstate 5, we spent much of 2009 working on the infrastructure to support such growth. During 2009, we invested \$12 million in bridge and road improvements and a new water treatment plant. This new infrastructure allowed the development of a new modern TA Travel Center that replaces an older facility on the east side of the freeway. Our partnership with TA has been excellent, and profitable. The combination of travel centers, fueling stations and convenience stores at Tejon Industrial Complex have done extremely well over the past few years, generating more than \$80 million in annual sales. While sales dropped somewhat during a difficult 2009, the partnership remained quite profitable. We expect the new TA Travel Center, which opened in December 2009, will add to our success. 🌱

BY THE NUMBERS: *Tejon Industrial Complex*

32,000,000

The 350,000 square foot *Famous Footwear Distribution Center* contains more than five miles of conveyor belt with the capacity to move 32 million pairs of shoes annually.



Oak trees can start producing acorns when they are 20 years old, but sometimes can go all the way to 50 years for the first production. By the time the tree is 70 to 80 years old it will produce thousands of acorns. The oak trees produce acorns once a year during the fall. Acorn production varies year to year and normally alternates. The chances of one acorn making it to become an oak tree are very slim -- less than one in 10,000.



Inside the Famous Footwear Distribution Facility at Tejon Industrial Complex





Centennial

We anticipate much of 2010 will be devoted to beginning the approval process for Centennial, our master planned sustainable new town planned for the southern portion of the Ranch in northwest Los Angeles County. The approval process in Los Angeles County is much different and lengthier than the approach taken in Kern County. Centennial will be subject to several hearings before the Regional Planning Commission followed by additional hearings before the Board of Supervisors. Once hearings begin, the process could take up to a year to complete.



20 species of oak are native to California. This is about a third of the roughly 60 species native to the USA. Worldwide there are 500 to 600 species of oak.

It's our goal that by the end of this process, Supervisors in Los Angeles County will view Centennial the same way their Kern County counterparts viewed Tejon Mountain Village – as a community that sets new standards for sustainable development.

Based on smart growth planning, Centennial will integrate schools, rental and for-sale homes, retail and commercial stores, health care facilities, job centers, parks and emergency services to meet residents' daily needs within its borders. Nearby residents will also be able to benefit from these facilities and services, many of them for the very first time.

When fully completed – a time period estimated to be about 25 to 30 years – Centennial will be home to 23,000 families and generate more than 30,000 jobs. From a market perspective, one of its chief attributes will be its affordability. Studies show that based on the salaries expected for the jobs that will be created at Centennial, 74% of those who will work at Centennial will be able to afford a home or an apartment in the community.

Centennial will deliver on the environmentally sensitive and sustainable promises made as part of the Tejon Ranch Vision we unveiled a number of years ago. It will be at the forefront of sustainability, meeting the requirements of Los Angeles County's Green Building Ordinance and complying with California's new efforts to reduce greenhouse gas emissions.

continued

BY THE NUMBERS: Centennial

21

Centennial will fund a significant amount of infrastructure, including eight elementary schools, two high schools, four fire stations, one sheriff station, one library, two water recycling plants, one water treatment plant, 21 parks, a community transit system with two transit centers, 155 miles of internal roadways, and 150 miles of trails, bike paths and paseos within its borders.

Outside of Centennial, it will improve and expand 40 miles of State Route 138, and assist in important improvements to Interstate 5 – including the building of truck climbing lanes and high occupancy vehicle lanes through Santa Clarita.





For example, six out of every ten vehicle trips will be captured within the community – reducing residents’ trips on nearby freeways and roads. Through conservation and efficient water usage, it will reduce household potable water use by 50 percent compared to the average household in northern Los Angeles County. It will also be 25% more energy efficient than typical subdivisions. ❁

Tejon Ranch Conservation and Land Use Agreement

Much of last year’s annual report was devoted to the Tejon Ranch Conservation and Land Use Agreement we signed in 2008 with Audubon California, Endangered Habitats League, Natural Resources Defense Council, Planning and Conservation League and the Sierra Club. I am pleased to report to you that the Agreement was recognized with California’s highest and most prestigious environmental honor – the Governor’s 2009 Environmental and Economic Leadership Award. The historic conservation pact was recognized in the Environmental and Economic Partnership category.

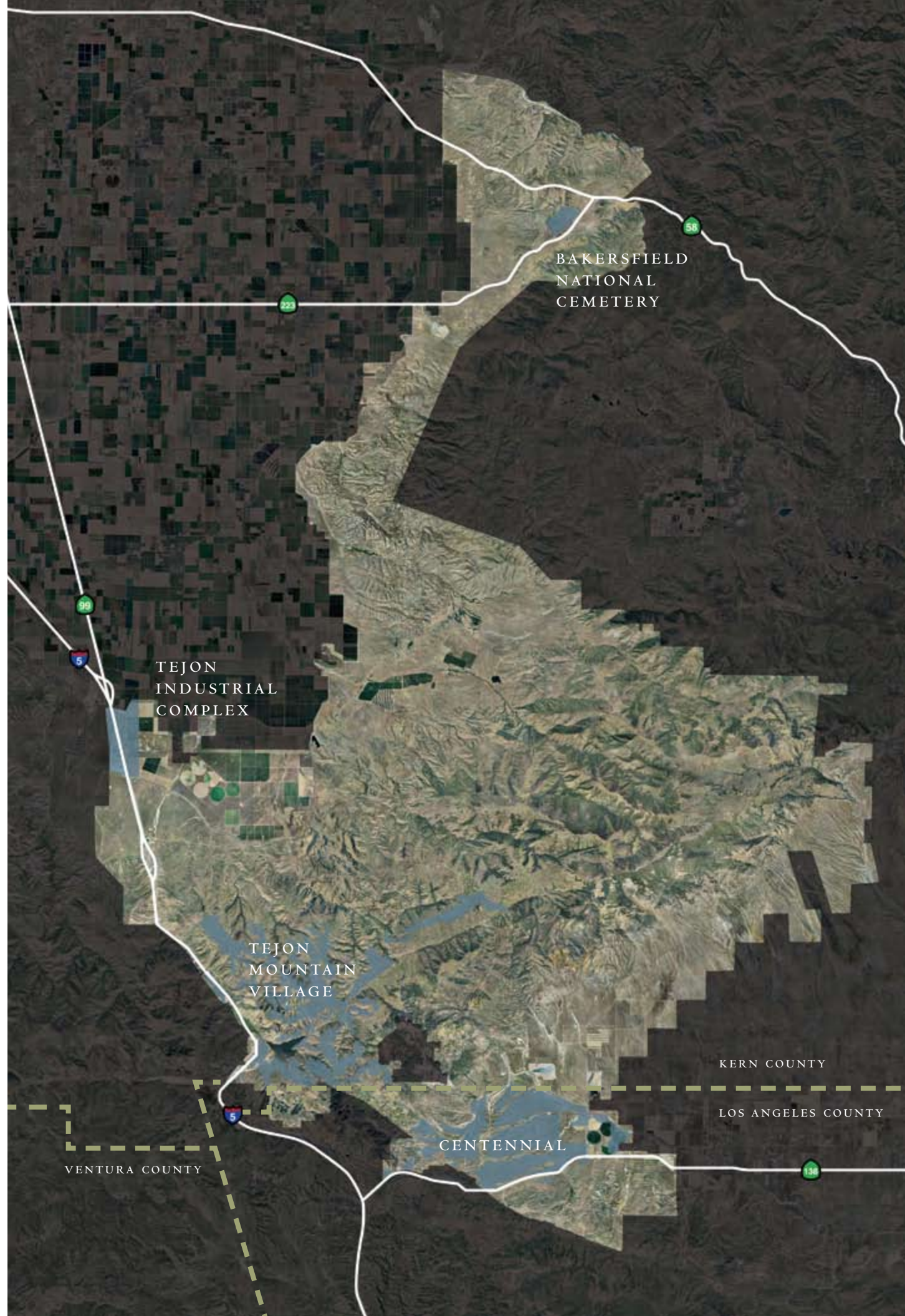
It’s important to note that the award is for both economic and environmental leadership. As we pursue our efforts to produce economic returns and build shareholder value, we’re dedicated to doing so in an environmentally sensitive way. We believe this ethic of stewardship will serve all of us, both now and in the future. ❁

AS ALWAYS, WE APPRECIATE YOUR SUPPORT as we move forward with our plans. It’s sometimes challenging to maintain a long range view, especially in light of the challenges presented by economic storms and the burdensome regulatory climate in California. The process for gaining development entitlements in California is among the most difficult anywhere. It is complex, time-consuming and expensive. But we are grateful that despite the difficulty and the economic turmoil of the past year, we are seeing the seeds we planted many years ago begin to grow. As a result, Tejon Ranch Company is stronger than ever. I’m reminded of what J.W. Marriott once said, “Good timber does not grow with ease; the stronger the wind, the stronger the tree.” ❁ ❁ ❁



Nine species of oak are found on Tejon Ranch, including the scrub oak, canyon live oak, blue oak, brewer oak, tucker’s oak, California black oak, valley oak, shrubby live oak and interior live oak. The valley oak is the predominant species.

ROBERT A. STINE
President and Chief Executive Officer



Consolidated Balance Sheets

(\$ in thousands)	DECEMBER 31	
	2009	2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 683	\$ 3,032
Marketable securities	30,156	52,007
Accounts receivable	7,117	8,281
Inventories	1,766	2,007
Prepaid expenses and other current assets	3,929	4,525
Deferred tax assets	691	1,138
Total current assets	44,342	70,990
Property and equipment, net	120,461	65,255
Investments in unconsolidated joint ventures	46,337	32,333
Long-term water assets	17,018	13,345
Long-term deferred tax assets	5,798	4,235
Other assets	788	914
Total assets	\$ 234,744	\$ 187,072
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	\$ 1,363	\$ 2,824
Other accrued liabilities	560	659
Deferred income	1,478	760
Income taxes payable	-	-
Short-term line of credit	9,550	2,750
Current portion of long-term debt	33	30
Total current liabilities	12,984	7,023
Long-term debt, less current portion	325	358
Long-term deferred gains	2,277	1,688
Other liabilities	3,323	3,174
Pension liability	1,454	1,523
Commitments and contingencies		
Stockholders' equity		
Common stock, \$.50 par value per share:		
Authorized shares - 30,000,000		
Issued and outstanding shares - 17,019,428 in 2009 and 16,986,770 in 2008	8,509	8,493
Additional paid-in capital	126,829	123,193
Accumulated other comprehensive loss	(2,151)	(2,797)
Noncontrolling interest	40,154	-
Retained earnings	41,040	44,417
Total stockholders' equity	214,381	173,306
Total liabilities and stockholders' equity	\$ 234,744	\$ 187,072

Consolidated Statements of Operations

(\$ in thousands, except per share amounts)	YEAR ENDED DECEMBER 31		
	2009	2008	2007
REVENUES			
Real estate - commercial/industrial	\$ 14,996	\$ 27,234	\$ 16,940
Real estate - resort/residential	272	-	-
Farming	12,983	12,887	15,404
Total revenues	28,251	40,121	32,344
Costs and expenses:			
Real estate - commercial/industrial	12,469	13,846	12,427
Real estate - resort/residential	4,443	4,563	3,512
Farming	11,804	11,692	10,432
Corporate expenses	7,311	8,539	8,547
Total expenses	36,027	38,640	34,918
Operating income (loss)	(7,776)	1,481	(2,574)
OTHER INCOME (EXPENSE)			
Investment income	1,640	2,169	3,509
Other	45	349	55
Interest expense	(70)	(70)	(70)
Total other income	1,615	2,448	3,494
Income (loss) from operations before equity in earnings of unconsolidated joint ventures	(6,161)	3,929	920
Equity in earnings of unconsolidated joint ventures, net	374	2,227	10,580
Income (loss) before income taxes	(5,787)	6,156	11,500
Income tax provision (benefit)	(2,354)	2,044	4,167
Net income (loss)	(3,433)	4,112	7,333
Net income (loss) attributable to noncontrolling interest	(56)	-	-
Net income (loss) attributable to common stockholders	\$ (3,377)	\$ 4,112	\$ 7,333
Net income (loss) attributable to common stockholders			
Basic	\$ (0.20)	\$ 0.24	\$ 0.43
Diluted	\$ (0.20)	\$ 0.23	\$ 0.42

Consolidated Statements of Stockholders' Equity

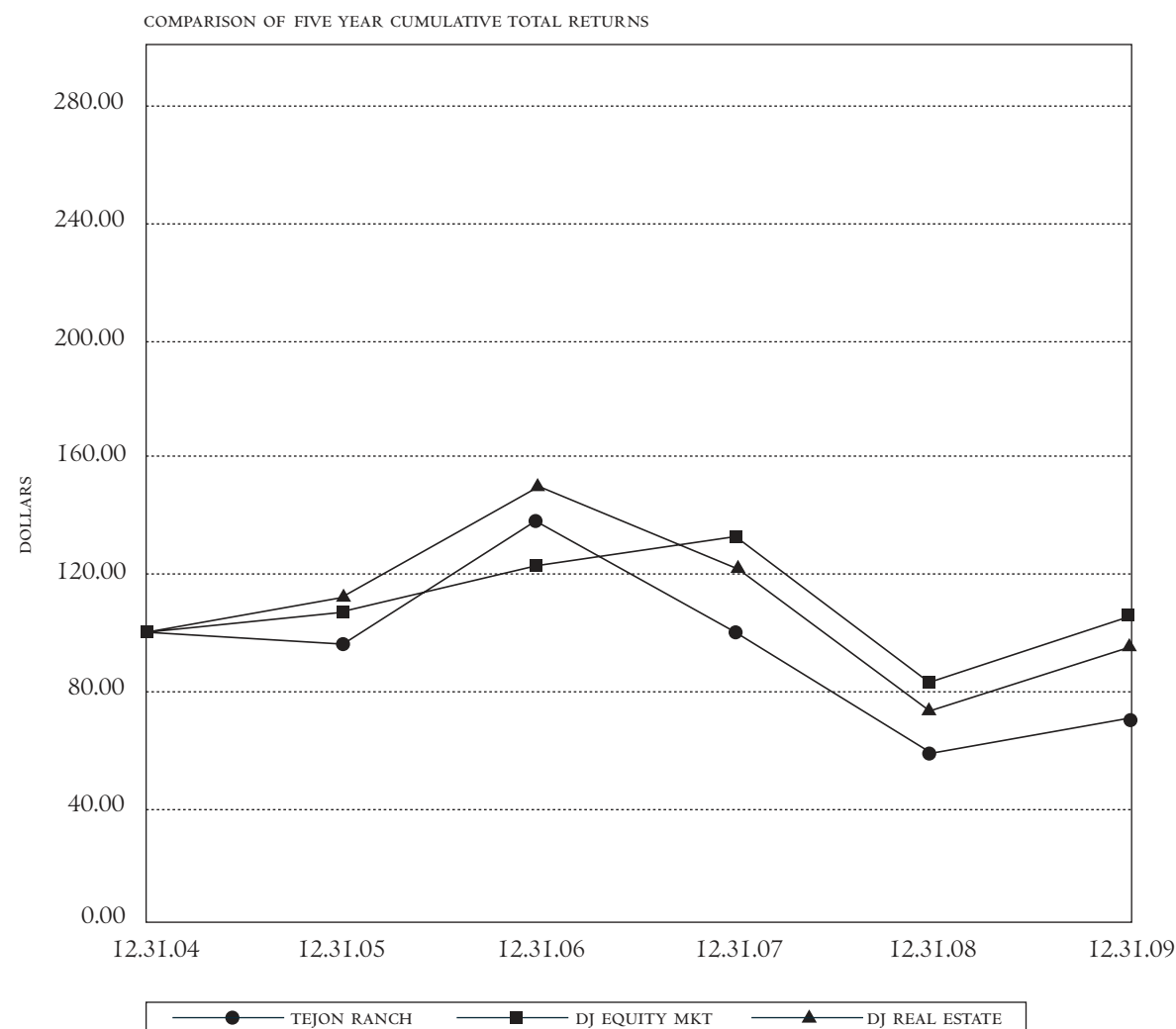
(\$ in thousands, except share information)	Common	Common	Additional	Non-	Accumulated	Retained	Total
	Stock Shares	Stock	Paid-In	Controlling	Other	Earnings	
	Outstanding		Capital	Interest	Comprehensive		
					Loss		
Balance, December 31, 2006	16,776,049	\$ 8,388	\$ 110,558	\$ -	\$ (2,888)	\$ 32,972	\$ 149,030
Net income	-	-	-	-	-	7,333	7,333
Changes in unrealized losses on available-for-sale securities, net of taxes of \$457	-	-	-	-	692	-	692
Benefit plan adjustments, net of taxes of \$44	-	-	-	-	67	-	67
SERP liability adjustment, net of taxes of \$79	-	-	-	-	120	-	120
Equity in other comprehensive income of unconsolidated joint venture, net of taxes of \$41	-	-	-	-	(62)	-	(62)
Comprehensive income							8,150
Exercise of stock options and related tax benefit of \$343	101,539	51	2,436	-	-	-	2,487
Restricted stock issuance	22,394	11	(11)	-	-	-	-
Stock compensation	-	-	5,387	-	-	-	5,387
Balance, December 31, 2007	16,899,982	8,450	118,370	-	(2,071)	40,305	165,054
Net income	-	-	-	-	-	4,112	4,112
Changes in unrealized losses on available-for-sale securities, net of taxes of \$506	-	-	-	-	(765)	-	(765)
Benefit plan adjustments, net of taxes of \$77	-	-	-	-	(154)	-	(154)
SERP liability adjustment, net of taxes \$109	-	-	-	-	165	-	165
Equity in other comprehensive income of unconsolidated joint venture, net of taxes of \$37	-	-	-	-	28	-	28
Comprehensive income							3,386
Exercise of stock options and related tax benefit of \$227	56,064	28	1,425	-	-	-	1,453
Restricted stock issuance	30,724	15	(15)	-	-	-	-
Stock compensation	-	-	3,413	-	-	-	3,413
Balance, December 31, 2008	16,986,770	8,493	123,193	-	(2,797)	44,417	173,306
Net loss	-	-	-	(56)	-	(3,377)	(3,433)
Changes in unrealized losses on available-for-sale securities, net of taxes of \$746	-	-	-	-	1,128	-	1,128
Benefit plan adjustments, net of taxes of \$263	-	-	-	-	(394)	-	(394)
SERP liability adjustment, net of taxes \$44	-	-	-	-	66	-	66
Equity in other comprehensive income of unconsolidated joint venture, net of taxes of \$102	-	-	-	-	(154)	-	(154)
Comprehensive loss							(2,787)
Exercise of stock options and no related tax benefit	11,858	6	235	-	-	-	241
Restricted stock issuance	26,636	13	(13)	-	-	-	-
Stock compensation	-	-	3,557	-	-	-	3,557
Shares withheld for taxes	(5,836)	(3)	(143)	-	-	-	(146)
Noncontrolling interest	-	-	-	40,210	-	-	40,210
Balance, December 31, 2009	17,019,428	\$ 8,509	\$ 126,829	\$ 40,154	\$ (2,151)	\$ 41,040	\$ 214,381

Consolidated Statements of Cash Flows

(\$ in thousands)	YEAR ENDED DECEMBER 31		
	2009	2008	2007
OPERATING ACTIVITIES			
Net income (loss)	\$ (3,433)	\$ 4,112	\$ 7,333
Items not affecting cash:			
Depreciation and amortization	3,122	2,885	2,410
Deferred income taxes	(1,072)	(314)	(976)
Gain from sale of real estate	-	(6,219)	(712)
Non-cash straight line rent income	153	(151)	(562)
Non-cash expense of retirement plans	900	791	586
(Gain) loss on sales of assets/investments	(114)	225	25
Fair market value adjustments	113	304	-
Equity in (earnings) losses of unconsolidated joint ventures, net	(374)	(2,227)	(10,580)
Non-cash issuances of stock and stock compensation expense	3,557	3,413	5,387
Excess tax benefit from stock-based compensation	-	(227)	(343)
Abandonment expense	662	-	-
Distribution of earnings from joint ventures	-	-	8,016
Changes in certain current assets and current liabilities:			
Accounts receivable	(962)	1,071	(1,802)
Inventories	225	215	300
Prepaid expenses and deferred taxes	602	91	(338)
Trade accounts payable and other accrued liabilities	(2,126)	1,290	(44)
Deferred income	738	188	(25)
Income taxes payable	(630)	(1,134)	1,359
Net cash provided by operating activities	1,361	4,313	10,034
INVESTING ACTIVITIES			
Maturities of marketable securities	38,400	42,438	28,697
Funds invested in marketable securities	(14,876)	(28,904)	(21,944)
Reimbursement proceeds from community facilities district	2,007	-	2,981
Proceeds from sale of real estate	-	7,376	-
Distribution of equity from joint ventures	1,866	55	1,182
Property and equipment disposals	32	36	33
Property and equipment expenditures	(20,957)	(20,402)	(9,887)
Investments in long-term water assets	(3,899)	(11,376)	(2,121)
Investment in unconsolidated joint ventures	(12,837)	(3,828)	(6,455)
Other	(1,159)	(304)	(188)
Net cash used in investing activities	(11,423)	(14,909)	(7,702)
FINANCING ACTIVITIES			
Payments on short-term debt	(10,500)	(5,000)	-
Borrowing of short-term debt	17,300	7,750	-
Repayment of long-term debt	(30)	(29)	(27)
Excess tax benefit from stock-based compensation	-	227	343
Exercise of stock options	241	1,226	2,144
Taxes on vested stock grant	(146)	-	-
Net cash provided by financing activities	6,865	4,174	2,460
Increase (decrease) in cash and cash equivalents	(3,197)	(6,422)	4,792
Cash and cash equivalents at beginning of year	3,880	9,454	4,662
Cash and cash equivalents at end of year	\$ 683	\$ 3,032	\$ 9,454
SUPPLEMENTAL CASH FLOW INFORMATION			
Interest paid (net of amounts capitalized)	\$ 70	\$ 70	\$ 70
Taxes paid (net of refunds)	\$ (661)	\$ 3,430	\$ 2,813

Performance Graph

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



- Assumes \$100 invested on December 31, 2004
- Total return assumes reinvestment of dividends
- Fiscal year ending December 31

	2005	2006	2007	2008	2009
TEJON RANCH	-2.16%	39.88%	-26.84%	-39.44%	18.11%
DJ EQUITY MKT	6.32%	15.57%	6.01%	-37.16%	28.79%
DJ REAL ESTATE	9.64%	35.50%	-18.15%	-40.07%	30.81%

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

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

Directors and Executive Officers

BOARD OF DIRECTORS

- Kent G. Snyder
Chairman of the Board,
Tejon Ranch Company;
Real Estate Attorney
- John L. Goolsby
Private Investments and Real Estate
- Barbara Grimm-Marshall
Co-owner
Grimmway Farms
- Norman Metcalfe
Real Estate and Investments
- George G.C. Parker
Dean Witter Distinguished
Professor of Finance,
Stanford Business School

- Geoffrey L. Stack
Managing Director,
SARES-REGIS Group,
Real Estate Development
and Management
- Robert A. Stine
President and Chief Executive Officer,
Tejon Ranch Company
- Michael H. Winer
Portfolio Manager, Third Avenue
Management LLC,
Investment Management

EXECUTIVE OFFICERS

- Robert A. Stine
President and Chief Executive Officer
- Dennis J. Atkinson
Senior Vice President – Agriculture
- Teri A. Bjorn
Vice President, General Counsel
and Secretary
- Joseph E. Drew
Senior Vice President – Real Estate
- Allen E. Lyda
Senior Vice President, Chief Financial
Officer and Assistant Secretary
- Kathleen J. Perkinson
Senior Vice President,
Natural Resources and Stewardship

Common Stock Information

QUARTER	2009		2008	
	HIGH	LOW	HIGH	LOW
First	\$ 25.69	\$ 18.40	\$ 39.72	\$ 33.71
Second	28.92	20.29	43.87	36.06
Third	28.18	24.55	38.00	30.11
Fourth	30.78	24.76	36.58	20.83

As of February 17, 2010, there were 417 owners of record of our Common Stock.

Corporate Directory

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

STOCK TRANSFER AGENT AND REGISTRAR
BNY Mellon Shareowner Services
480 Washington Boulevard
Jersey City, NJ 07310-1900

AUDITORS
Ernst & Young LLP

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

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

TEJON RANCH COMPANY
Post Office Box 1000
4436 Lebec Road
Lebec, California 93243



