

**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, 2019**

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: 0-261**

**ALICO INC**

*(Exact name of registrant as specified in its charter)*

**Florida**

*(State or other jurisdiction of  
incorporation or organization)*

**59-0906081**

*(I.R.S. Employer Identification  
No.)*

**10070 Daniels Interstate Court**

**Suite 100 Fort Myers FL**

*(Address of principal executive offices)*

**33913**

*(Zip Code)*

**(239) 226-2000**

*(Registrant's telephone number, including area code)*

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	ALCO	NASDAQ Global Select Market

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 has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  Yes  No

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

Large Accelerated Filer   
Non-accelerated filer   
Emerging Growth Company

**Accelerated Filer**   
Smaller Reporting Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

There were 7,476,513 shares of common stock outstanding at August 2, 2019.

**ALICO, INC.**  
**FORM 10-Q**  
**For the three and nine months ended June 30, 2019 and 2018**  
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## **Part 1 - FINANCIAL INFORMATION**

### **Item 1. Condensed Consolidated Financial Statements**

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**ALICO, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share amounts)

	<u>June 30, 2019</u>	<u>September 30, 2018</u>
	<u>(Unaudited)</u>	
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 3,519	\$ 25,260
Accounts receivable, net	6,285	2,544
Inventories	30,706	41,033
Assets held for sale	2,086	1,391
Prepaid expenses and other current assets	1,521	833
<b>Total current assets</b>	<u>44,117</u>	<u>71,061</u>
Restricted cash	7,006	7,000
Property and equipment, net	343,604	340,403
Goodwill	2,246	2,246
Deferred financing costs, net of accumulated amortization	21	136
Other non-current assets	2,525	2,576
<b>Total assets</b>	<u>\$ 399,519</u>	<u>\$ 423,422</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 4,318	\$ 3,764
Accrued liabilities	6,097	9,226
Long-term debt, current portion	5,325	5,275
Income taxes payable	6,570	2,320
Other current liabilities	1,043	913
<b>Total current liabilities</b>	<u>23,353</u>	<u>21,498</u>
Long-term debt:		
Principal amount, net of current portion	160,855	169,074
Less: deferred financing costs, net	(1,416)	(1,563)
Long-term debt less current portion and deferred financing costs, net	<u>159,439</u>	<u>167,511</u>
Lines of credit	—	2,685
Deferred income tax liabilities	29,311	25,153
Deferred gain on sale	—	24,928
Deferred retirement obligations	3,887	4,052
Other liabilities	246	—
<b>Total liabilities</b>	<u>216,236</u>	<u>245,827</u>
Commitments and Contingencies (Note 12)		
<b>Stockholders' equity:</b>		
Preferred stock, no par value, 1,000,000 shares authorized; none issued	—	—
Common stock, \$1.00 par value, 15,000,000 shares authorized; 8,416,145 and 8,416,145 shares issued and 7,470,031 and 8,199,957 shares outstanding at June 30, 2019 and September 30, 2018, respectively	8,416	8,416
Additional paid in capital	19,756	20,126
Treasury stock, at cost, 946,114 and 216,188 shares held at June 30, 2019 and September 30, 2018, respectively	(32,205)	(7,536)
Retained earnings	181,989	151,111
<b>Total Alico stockholders' equity</b>	<u>177,956</u>	<u>172,117</u>
Noncontrolling interest	5,327	5,478
<b>Total stockholders' equity</b>	<u>183,283</u>	<u>177,595</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 399,519</u>	<u>\$ 423,422</u>

*See accompanying notes to the condensed consolidated financial statements.*

**ALICO, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**  
(in thousands, except per share amounts)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
<b>Operating revenues:</b>				
Alico Citrus	\$ 56,819	\$ 25,711	\$ 118,539	\$ 77,499
Water Resources and Other Operations	746	806	2,326	2,151
Total operating revenues	57,565	26,517	120,865	79,650
<b>Operating expenses:</b>				
Alico Citrus	31,141	13,697	73,597	56,102
Water Resources and Other Operations	420	906	1,768	3,219
Total operating expenses	31,561	14,603	75,365	59,321
<b>Gross profit:</b>	26,004	11,914	45,500	20,329
General and administrative expenses	2,682	2,955	10,786	9,914
Income from operations	23,322	8,959	34,714	10,415
<b>Other (expense) income:</b>				
Interest expense	(1,745)	(2,188)	(5,625)	(6,682)
Gain on sale of real estate, property and equipment and assets held for sale	114	7,248	137	9,083
Change in fair value of derivatives	—	—	(989)	—
Other income, net	8	14	18	158
Total other (expense), income	(1,623)	5,074	(6,459)	2,559
<b>Income before income taxes</b>	21,699	14,033	28,255	12,974
Income tax provision	5,483	4,941	7,082	674
<b>Net income</b>	16,216	9,092	21,173	12,300
Net loss attributable to noncontrolling interests	28	8	151	32
<b>Net income attributable to Alico, Inc. common stockholders</b>	\$ 16,244	\$ 9,100	\$ 21,324	\$ 12,332
<b>Per share information attributable to Alico, Inc. common stockholders:</b>				
<b>Earnings per common share:</b>				
Basic	\$ 2.17	\$ 1.11	\$ 2.85	\$ 1.50
Diluted	\$ 2.17	\$ 1.09	\$ 2.85	\$ 1.48
<b>Weighted-average number of common shares outstanding:</b>				
Basic	7,470	8,228	7,470	8,243
Diluted	7,471	8,324	7,494	8,314
<b>Cash dividends declared per common share</b>	\$ 0.06	\$ 0.06	\$ 0.18	\$ 0.18

*See accompanying notes to the condensed consolidated financial statements*

ALICO, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
(in thousands)

For the Three Months Ended June 30, 2019

	Common stock		Additional Paid In Capital	Treasury Stock	Retained Earnings	Total Alico, Inc. Equity	Non- controlling Interest	Total Equity
	Shares	Amount						
<b>Balance at March 31, 2019</b>	8,416	\$ 8,416	\$ 19,733	\$ (32,496)	\$ 166,193	\$ 161,846	\$ 5,355	\$ 167,201
Net income (loss)	—	—	—	—	16,244	16,244	(28)	16,216
Dividends (\$0.06/share)	—	—	—	—	(448)	(448)	—	(448)
Treasury stock purchases	—	—	—	—	—	—	—	—
Stock-based compensation:								
Directors	—	—	(91)	291	—	200	—	200
Executives	—	—	114	—	—	114	—	114
<b>Balance at June 30, 2019</b>	<b>8,416</b>	<b>\$ 8,416</b>	<b>\$ 19,756</b>	<b>\$ (32,205)</b>	<b>\$ 181,989</b>	<b>\$ 177,956</b>	<b>\$ 5,327</b>	<b>\$ 183,283</b>

For the Nine Months Ended June 30, 2019

	Common stock		Additional Paid In Capital	Treasury Stock	Retained Earnings	Total Alico, Inc. Equity	Non- controlling Interest	Total Equity
	Shares	Amount						
<b>Balance at September 30, 2018</b>	8,416	\$ 8,416	\$ 20,126	\$ (7,536)	\$ 151,111	\$ 172,117	\$ 5,478	\$ 177,595
Net income (loss)	—	—	—	—	21,324	21,324	(151)	21,173
Dividends (\$0.18/share)	—	—	—	—	(1,343)	(1,343)	—	(1,343)
Treasury stock purchases	—	—	—	(25,576)	—	(25,576)	—	(25,576)
ASC 610-20 adoption	—	—	—	—	10,897	10,897	—	10,897
Stock-based compensation:								
Directors	—	—	(231)	907	—	676	—	676
Executives	—	—	684	—	—	684	—	684
Executive forfeiture	—	—	(823)	—	—	(823)	—	(823)
<b>Balance at June 30, 2019</b>	<b>8,416</b>	<b>\$ 8,416</b>	<b>\$ 19,756</b>	<b>\$ (32,205)</b>	<b>\$ 181,989</b>	<b>\$ 177,956</b>	<b>\$ 5,327</b>	<b>\$ 183,283</b>

**For the Three Months Ended June 30, 2018**

	Common stock		Additional			Total Alico,		Non-		Total Equity
	Shares	Amount	Paid In Capital	Treasury Stock	Retained Earnings	Inc. Equity	controlling Interest			
<b>Balance at March 31, 2018</b>	8,416	\$ 8,416	\$ 19,050	\$ (6,208)	\$ 142,277	\$ 163,535	\$ 4,704	\$	\$ 168,239	
Net income (loss)	—	—	—	—	9,100	9,100	(8)	—	9,092	
Dividends (\$0.06/share)	—	—	—	—	(492)	(492)	—	—	(492)	
Treasury stock purchases	—	—	—	(2,009)	—	(2,009)	—	—	(2,009)	
Capital contribution received from noncontrolling interest funding	—	—	—	—	—	—	1,000	—	1,000	
Stock-based compensation:										
Directors	—	—	(124)	363	—	239	—	—	239	
Executives	—	—	242	—	—	242	—	—	242	
<b>Balance at June 30, 2018</b>	<b>8,416</b>	<b>\$ 8,416</b>	<b>\$ 19,168</b>	<b>\$ (7,854)</b>	<b>\$ 150,885</b>	<b>\$ 170,615</b>	<b>\$ 5,696</b>	<b>\$</b>	<b>\$ 176,311</b>	

**For the Nine Months Ended June 30, 2018**

	Common stock		Additional			Total Alico,		Non-		Total Equity
	Shares	Amount	Paid In Capital	Treasury Stock	Retained Earnings	Inc. Equity	controlling Interest			
<b>Balance at September 30, 2017</b>	8,416	\$ 8,416	\$ 18,694	\$ (6,502)	\$ 140,033	\$ 160,641	\$ 4,728	\$	\$ 165,369	
Net income (loss)	—	—	—	—	12,332	12,332	(32)	—	12,300	
Dividends (\$0.18/share)	—	—	—	—	(1,480)	(1,480)	—	—	(1,480)	
Treasury stock purchases	—	—	—	(2,215)	—	(2,215)	—	—	(2,215)	
Capital contribution received from noncontrolling interest funding	—	—	—	—	—	—	1,000	—	1,000	
Stock-based compensation:										
Directors	—	—	(242)	863	—	621	—	—	621	
Executives	—	—	716	—	—	716	—	—	716	
<b>Balance at June 30, 2018</b>	<b>8,416</b>	<b>\$ 8,416</b>	<b>\$ 19,168</b>	<b>\$ (7,854)</b>	<b>\$ 150,885</b>	<b>\$ 170,615</b>	<b>\$ 5,696</b>	<b>\$</b>	<b>\$ 176,311</b>	

*See accompanying notes to the condensed consolidated financial statements*

**ALICO, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**  
(in thousands)

	Nine Months Ended June 30,	
	2019	2018
<b>Net cash provided by operating activities:</b>		
Net income	\$ 21,173	\$ 12,300
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred gain on sale of sugarcane land	—	(767)
Depreciation, depletion and amortization	10,441	10,327
Deferred income tax provision	454	649
Gain on sale of real estate, property and equipment and assets held for sale	(137)	(8,315)
Change in fair value of derivatives	989	—
Impairment of long-lived assets	244	1,855
Non-cash interest expense on deferred gain on sugarcane land	—	1,021
Stock-based compensation expense	537	1,337
Other	(160)	(285)
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	(3,741)	(4,510)
Inventories	10,327	6,478
Prepaid expenses and other assets	(480)	(892)
Accounts payable and accrued liabilities	(2,587)	(594)
Income tax payable	4,250	—
Other liabilities	376	(2,485)
Net cash provided by operating activities	<u>41,686</u>	<u>16,119</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(14,567)	(12,129)
Net proceeds from sale of property and equipment and assets held for sale	419	31,671
Change in deposits on purchase of citrus trees	(256)	—
Notes receivables	56	(379)
Net cash (used in) provided by investing activities	<u>(14,348)</u>	<u>19,163</u>
<b>Cash flows from financing activities:</b>		
Repayments on revolving lines of credit	(86,123)	(21,424)
Borrowings on revolving lines of credit	83,438	21,424
Principal payments on term loans	(8,169)	(9,421)
Treasury stock purchases	(25,576)	(2,215)
Payment on termination of Global Ag agreement	(11,300)	—
Dividends paid	(1,343)	(1,480)
Capital contribution received from noncontrolling interest	—	1,000
Capital lease obligation payments	—	(8)
Net cash used in financing activities	<u>(49,073)</u>	<u>(12,124)</u>
<b>Net (decrease) increase in cash and cash equivalents and restricted cash</b>	<b>(21,735)</b>	<b>23,158</b>
Cash and cash equivalents and restricted cash at beginning of the period	<u>32,260</u>	<u>3,395</u>
<b>Cash and cash equivalents and restricted cash at end of the period</b>	<b>\$ <u>10,525</u></b>	<b>\$ <u>26,553</u></b>

*See accompanying notes to the condensed consolidated financial statements.*

**ALICO, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1. Basis of Presentation**

*Description of Business*

Alico, Inc., together with its subsidiaries (collectively, "Alico", the "Company", "we", "us" or "our"), is a Florida agribusiness and land management company owning approximately 117,000 acres of land throughout Florida, including approximately 90,000 acres of mineral rights. The Company manages its land based upon its primary usage, and reviews its performance based upon two primary classifications: (i) Alico Citrus and (ii) Water Resources and Other Operations. Financial results are presented based upon its two business segments (Alico Citrus and Water Resources and Other Operations).

*Basis of Presentation*

The Company has prepared the accompanying financial statements on a condensed consolidated basis. These accompanying unaudited condensed consolidated interim financial statements, which are referred to herein as the "Financial Statements", have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and pursuant to Article 10-01 of Regulation S-X of the U.S. Securities and Exchange Commission ("SEC") for interim financial information. These Financial Statements do not include all of the disclosures required for complete annual financial statements and, accordingly, certain information, footnotes and disclosures normally included in annual financial statements, prepared in accordance with U.S. GAAP, have been condensed or omitted in accordance with SEC rules and regulations. Accordingly, the Financial Statements should be read in conjunction with the Company's audited Consolidated Financial Statements and Notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2018, as filed with the SEC on December 6, 2018.

The Financial Statements presented in this Form 10-Q are unaudited. However, in the opinion of management, such Financial Statements include all adjustments, consisting solely of normal recurring adjustments, necessary to present fairly the financial position, results of operations and cash flows for the periods presented in conformity with U.S. GAAP applicable to interim periods.

Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for the current fiscal year ending September 30, 2019. All intercompany transactions and account balances between the consolidated businesses have been eliminated.

*Segments*

Operating segments are defined in the criteria established under the Financial Accounting Standards Board - Accounting Standards Codification ("FASB ASC") Topic 280 as components of public entities that engage in business activities from which they may earn revenues and incur expenses for which separate financial information is available and which is evaluated regularly by the Company's chief operating decision maker ("CODM") in deciding how to assess performance and allocate resources. The Company's CODM assesses performance and allocates resources based on two operating segments: (i) Alico Citrus and (ii) Water Resources and Other Operations.

*Principles of Consolidation*

The Financial Statements include the accounts of Alico and the accounts of all the subsidiaries in which a controlling interest is held by the Company. Under U.S. GAAP, consolidation is generally required for investments of more than 50% of the outstanding voting stock of an investee, except when control is not held by the majority owner. The Company's subsidiaries include: Alico Land Development, Inc., Alico-Agri, Ltd., Alico Plant World, LLC, Alico Fruit Company, LLC, Alico Citrus Nursery, LLC, Alico Chemical Sales, LLC, 734 Citrus Holdings, LLC and subsidiaries, Alico Fresh Fruit, LLC, Alico Skink Mitigation, LLC and Citree Holdings 1, LLC ("Citree"). The Company considers the criteria established under FASB ASC Topic 810, "Consolidations" in its consolidation process. All significant intercompany balances and transactions have been eliminated in consolidation.

*Use of Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities as of the date of the accompanying Financial Statements, the disclosure of contingent assets and liabilities in the Financial Statements and the accompanying Notes, and the reported amounts of revenues and expenses and cash flows during the periods presented. Actual results could differ from those estimates based upon future events. The Company evaluates estimates on an ongoing basis. The estimates are based on current and expected economic conditions, historical experience, the experience and judgment of the Company's management and various other specific

assumptions that the Company believes to be reasonable. The Company evaluates its assumptions and estimates on an ongoing basis and may employ outside experts to assist in the Company's evaluations.

#### *Restricted Cash*

Restricted cash is comprised of cash received from the sale of certain assets for which the use of funds is restricted. For certain sale transactions, the Company sells property, which serves as collateral for specific debt obligations. As a result, the sale proceeds can only be used to purchase like-kind citrus groves, which are acceptable to the debt holder. If the restricted cash is not used for such purchases within a twelve-month period, it will be used to pay down principal on Company debt. Based on the contractual uses of restricted cash, these amounts have been classified as non-current.

#### *Revenue Recognition*

Revenues are derived from the sale of processed fruit, fresh fruit, other citrus revenue, leasing revenue and other water and resource revenues. The majority of the revenue is generated from the sale of citrus fruit to processing facilities and fresh fruit sales. The Company recognizes revenue at the amount it expects to be entitled to be paid, determined when control of the products or services is transferred to its customers, which occurs upon delivery of and acceptance of the fruit by the customer and the Company has a right to payment.

The Company has identified one performance obligation as the delivery of fruit to the processing facility (or harvesting of the citrus in the case of fresh fruit) of the customer for each separate variety of fruit identified in the contract. The Company initially recognizes revenue in an amount which is estimated based on contractual and market prices, if such market price falls within the range (known as "floor" and "ceiling" prices) identified in the specific contracts. Additionally, the Company also has a contractual agreement whereby revenue is determined based on applying a cost-plus structure methodology. As such, since these contracts contain elements of variable consideration, the Company recognizes this variable consideration by using the expected value method. Adjustments are made throughout the year to these estimates as more current relevant industry information becomes available. Differences between the estimates and the final realization of revenues at the close of the harvesting season can result in either an increase or decrease to reported revenues. During the periods presented, no material adjustments were made to the reported citrus revenues.

Receivables under these contracts are primarily paid at the floor amount and are collected within seven days after the harvest week. Any adjustments to pricing as a result of changes in market prices, which fall within the range of the floor and ceiling price identified in the specific contract, are collected thirty to sixty days after final market pricing is published. As of June 30, 2019, and September 30, 2018, the Company had total receivables relating to sales of citrus of \$5,417,000 and \$2,471,000, respectively, recorded in Accounts Receivable, net, in the Condensed Consolidated Balance Sheets.

## Disaggregated Revenue

Revenues disaggregated by significant products and services for the three and nine months ended June 30, 2019 and 2018 are as follows:

(in thousands)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
<b>Alico Citrus</b>				
Early and Mid-Season	\$ —	\$ 53	\$ 39,574	\$ 24,309
Valencias	54,734	24,257	73,480	48,855
Fresh Fruit	1,052	540	3,629	2,046
Other	1,033	861	1,856	2,289
<b>Total</b>	<b>\$ 56,819</b>	<b>\$ 25,711</b>	<b>\$ 118,539</b>	<b>\$ 77,499</b>
<b>Water Resources and Other Operations</b>				
Land and other leasing	\$ 706	\$ 693	\$ 2,098	\$ 1,780
Other	40	113	228	371
<b>Total</b>	<b>\$ 746</b>	<b>\$ 806</b>	<b>\$ 2,326</b>	<b>\$ 2,151</b>
<b>Total Revenues</b>	<b>\$ 57,565</b>	<b>\$ 26,517</b>	<b>\$ 120,865</b>	<b>\$ 79,650</b>

## Reclassifications

Certain prior year amounts have been reclassified in the accompanying Financial Statements for consistent presentation to the current period. These reclassifications had no impact on net income, equity or cash flows as previously reported.

## Noncontrolling Interest in Consolidated Subsidiary

The Financial Statements include all assets and liabilities of the less-than-100%-owned subsidiary the Company controls, Citree. Accordingly, the Company has recorded a noncontrolling interest in the equity of such entity. Citree had a net loss of approximately \$57,000 and \$15,000 for the three months ended June 30, 2019 and 2018, respectively, and had a net loss of approximately \$308,000 and \$65,000 for the nine months ended June 30, 2019 and 2018, respectively, of which 51% is attributable to the Company.

## Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, "Leases (Topic 842)." This guidance will require entities that enter into leases as a lessee to recognize right-of-use assets and lease liabilities for those leases classified as operating leases under previous GAAP. The accounting applied by a lessor is largely unchanged from that applied under previous GAAP. The Company is currently evaluating the impact this guidance will have on our Financial Statements, and it will become effective for Alico beginning October 1, 2019.

In January 2017, the FASB issued ASU 2017-04, "Intangibles-Goodwill and Other" (Topic 350), which simplifies the accounting for goodwill impairment. The updated guidance eliminates Step 2 of the impairment test, which requires entities to calculate the implied fair value of goodwill to measure a goodwill impairment charge. Instead, entities will record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value, determined in Step 1. This guidance will become effective for us in the fiscal years beginning after December 15, 2019, including interim periods within those reporting periods. We will adopt this guidance using a prospective approach. Earlier adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We are currently evaluating the impact on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurements" ("ASU 2018-13"), which aims to improve the overall usefulness of disclosures to financial statement users and reduce unnecessary costs to companies when preparing fair value measurement

disclosures. ASU 2018-13 is effective for annual and interim periods in the fiscal years beginning after December 15, 2019. Early adoption is permitted. Retrospective adoption is required, except for certain disclosures, which will be required to be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. The Company does not expect the adoption of ASU 2018-13 will have a material impact on its consolidated financial statements and will adopt the standard effective October 1, 2020.

In November 2018, the FASB issued ASU 2018-19, "Codification Improvements to Topic 326, Financial Instruments-Credit Losses." ASU 2018-19 clarifies that receivables arising from operating leases are not within the scope of Subtopic 326-20. Instead, impairment of receivables arising from operating leases should be accounted for in accordance with Leases (Topic 842). The standard is effective on October 1, 2020, with early adoption permitted. The Company does not expect the adoption of ASU 2018-19 to have a material impact on the unaudited Condensed Consolidated Financial Statements of the Company. Information regarding the adoption of Leases (Topic 842) is described above.

The Company has reviewed other recently issued accounting standards which have not yet been adopted in order to determine their potential effect, if any, on the results of operations or financial condition. Based on the review of these other recently issued standards, the Company does not currently believe that any of those accounting pronouncements will have a significant effect on its current or future financial position, results of operations, cash flows or disclosures.

#### *Recently Adopted Accounting Pronouncements*

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, and has subsequently issued several supplemental and/or clarifying ASU's (collectively, "ASC 606"), which prescribes a comprehensive new revenue recognition standard that supersedes previously existing revenue recognition guidance. The new model provides a five-step analysis in determining when and how revenue is recognized. The core principle of the new guidance is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also requires new, expanded disclosures regarding revenue recognition. The standard allows initial application to be performed retrospectively to each period presented or as a modified retrospective adjustment as of the date of adoption. ASC 606, also provides for certain practical expedients, including the option to expense as incurred the incremental costs of obtaining a contract, if the contract period is for one year or less, and policy elections regarding shipping and handling that provides the option to account for shipping and handling costs as contract fulfillment costs. The Company adopted ASC 606 effective October 1, 2018, the first day of our 2019 fiscal year, using the modified retrospective method. The implementation of ASC 606 did not require an adjustment to the opening balance of retained earnings as of October 1, 2018 (see Note 1. "Revenue Recognition").

In February 2017, the FASB issued ASU 2017-05, Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (ASC 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets. This standard clarifies the scope and application of ASC 610-20 on the sale, transfer, and derecognition of nonfinancial assets and in substance nonfinancial assets to non-customers, including partial sales. It also provides guidance on how gains and losses on transfers of nonfinancial assets and in substance nonfinancial assets to non-customers are recognized. The standard also clarifies the derecognition of businesses is under the scope of ASC 810. The standard was required to be adopted concurrently with ASC 606, however an entity did not have to apply the same transition method as ASC 606. The Company adopted ASC 610-20 ("ASC 610-20") effective October 1, 2018, the first day of our 2019 fiscal year, using the modified retrospective method. The implementation of ASC 610-20 resulted in an adjustment to increase the opening balance of retained earnings by \$14,601,000 as of October 1, 2018 (see Note 7. "Deferred Gain on Sale").

#### *Seasonality*

The Company is primarily engaged in the production of fruit for sale to citrus markets, which is of a seasonal nature, and subject to the influence of natural phenomena and wide price fluctuations. Historically, the second and third quarters of Alico's fiscal year produce the majority of the Company's annual revenue. Working capital requirements are typically greater in the first and fourth quarters of the fiscal year, coinciding with harvesting cycles. Because of the seasonality of the business, results for any quarter are not necessarily indicative of the results that may be achieved for the full fiscal year.

## Note 2. Inventories

Inventories consist of the following at June 30, 2019 and September 30, 2018:

(in thousands)

	June 30, 2019	September 30, 2018
Unharvested fruit crop on the trees	\$ 28,887	\$ 39,888
Other	1,819	1,145
Total inventories	<u>\$ 30,706</u>	<u>\$ 41,033</u>

The Company records its inventory at the lower of cost or net realizable value. For the three and nine months ended June 30, 2019 and June 30, 2018, the Company did not record any adjustments to reduce inventory to net realizable value.

During the fiscal year ended September 30, 2018, the Company received insurance proceeds relating to Hurricane Irma of approximately \$477,000 for property and casualty damage claims and approximately \$8,952,000 for crop claims. On June 26, 2019, the Company executed an agreement whereby the Company would receive approximately \$486,000 in additional property and casualty claims reimbursement relating to Hurricane Irma. This amount was recorded in the three months ended June 30, 2019. The reimbursement was received in July 2019. There are no further property and casualty or crop insurance claims pending relating to Hurricane Irma.

The Company is eligible for Hurricane Irma federal relief programs distributed by the Farm Service Agency under the 2017 Wildfires and Hurricane Indemnity Program (2017 WHIP), as well as block grants that will be administered through the State of Florida. As of June 30, 2019, the Company was awaiting final approvals and could not determine the amount of federal relief funds, if any, which would be received, or when these funds will be disbursed. Subsequent to June 30, 2019 the Company did receive a portion of federal relief funds (see Note 14. "Subsequent Event").

## Note 3. Assets Held for Sale

In accordance with its strategy to dispose of non-core and under-performing assets, the following assets have been classified as assets held for sale as of June 30, 2019 and September 30, 2018:

(in thousands)

	Carrying Value	
	June 30, 2019	September 30, 2018
Trailers	\$ 421	\$ 456
Frostproof Parcels	—	176
East Ranch	1,442	759
Twin Mills	223	—
Total Assets Held For Sale	<u>\$ 2,086</u>	<u>\$ 1,391</u>

On March 1, 2019, the Company sold certain trailers for approximately \$35,000.

On October 30, 2018, the Company sold certain parcels at Frostproof for approximately \$188,000 and realized a gain of approximately \$12,000.

On May 2, 2018, the Company sold its Gal Hog property for approximately \$7,300,000 and recognized a gain of approximately \$6,709,000.

On March 30, 2018, the Company sold property located on its Winterhaven location for approximately \$225,000 and recognized a loss of approximately \$50,000. This asset was classified as an asset held for sale during the first quarter of fiscal year 2018.

On February 12, 2018, the Company sold its property at Chancey Bay for approximately \$4,200,000 and realized a loss of approximately \$51,000. As part of the transaction, the Company agreed to pay the purchaser rent of \$200,000 in exchange for Alico retaining the rights of harvesting and selling of the fruit in the 2017/2018 harvest season.

On February 9, 2018, the Company sold its nursery located in Gainesville for approximately \$6,500,000 and realized a gain of approximately \$111,000.

On January 25, 2018, the Company sold its breeding herd to a third party for approximately \$7,800,000. As part of this transaction, the purchaser is also leasing grazing and other rights on the Alico Ranch from the Company at a rate of \$100,000 per month. Upon the sale of a parcel within the East Ranch, the lease rate was adjusted to \$98,750 per month.

On January 19, 2018, the Company sold certain trailers to a third party for \$500,000. The Company received \$125,000 and the remaining portion is to be paid in accordance with a promissory note, which bears interest at 5%, over three years.

On October 30, 2017, the Company sold its corporate office building in Fort Myers, Florida for \$5,300,000 and realized a gain of approximately \$1,751,000. The sales agreement provides that the Company will lease back a portion of the office space for five years.

**Note 4. Property and Equipment, Net**

Property and equipment, net consists of the following at June 30, 2019 and September 30, 2018:

*(in thousands)*

	June 30, 2019	September 30, 2018
Citrus trees	\$ 276,045	\$ 264,714
Equipment and other facilities	54,645	53,544
Buildings and improvements	8,195	8,052
Total depreciable properties	338,885	326,310
Less: accumulated depreciation and depletion	(101,204)	(91,858)
Net depreciable properties	237,681	234,452
Land and land improvements	105,923	105,951
Property and equipment, net	\$ 343,604	\$ 340,403

During the nine months ended June 30, 2019, the Company purchased 203 acres of citrus blocks for approximately \$1,950,000. These purchases were made from grove owners from within the Company's existing grove locations. In April 2019, the Bank agreed to accept these purchases as substitute collateral and release approximately \$1,800,000 from restricted cash, which is anticipated to occur in the fourth quarter of fiscal year 2019. Subsequent to April 2019, there were two additional purchases of Citrus blocks for approximately \$100,000 that are not included as part of the substitution collateral.

On September 29, 2018, the Company sold its property at Island Pond for \$7,900,000. As Island Pond was collateralized under one of the Company's loan documents, \$7,000,000 of the proceeds is restricted in use.

On March 15, 2018, the Company sold certain parcels comprised of citrus trees and land located on its Ranch One grove for approximately \$586,000 and recognized a loss of approximately \$87,000. As part of the transaction, the revenues generated from these parcels during the 2017/2018 harvest season were allocated to the purchaser.

## Note 5. Long-Term Debt and Lines of Credit

The following table summarizes long-term debt and related deferred financing costs, net of accumulated amortization at June 30, 2019 and September 30, 2018:

(in thousands)

	June 30, 2019		September 30, 2018	
	Principal	Deferred Financing Costs, Net	Principal	Deferred Financing Costs, Net
<b>Long-term debt, net of current portion:</b>				
Met Fixed-Rate Term Loans	\$ 91,250	\$ 752	\$ 95,938	\$ 836
Met Variable-Rate Term Loans	44,563	346	46,719	385
Met Citree Term Loan	4,800	41	4,925	44
Pru Loans A & B	16,547	228	17,417	241
Pru Loan E	4,510	11	4,675	17
Pru Loan F	4,510	38	4,675	40
	166,180	1,416	174,349	1,563
Less current portion	5,325	—	5,275	—
Long-term debt	\$ 160,855	\$ 1,416	\$ 169,074	\$ 1,563

The following table summarizes lines of credit and related deferred financing costs, net of accumulated amortization at June 30, 2019 and September 30, 2018:

(in thousands)

	June 30, 2019		September 30, 2018	
	Principal	Deferred Financing Costs, Net	Principal	Deferred Financing Costs, Net
<b>Lines of Credit:</b>				
RLOC	\$ —	\$ 21	\$ —	\$ 58
WCLC	—	—	2,685	78
Lines of Credit	\$ —	\$ 21	\$ 2,685	\$ 136

Future maturities of long-term debt as of June 30, 2019 are as follows:

(in thousands)

Due within one year	\$ 5,325
Due between one and two years	10,975
Due between two and three years	10,975
Due between three and four years	14,605
Due between four and five years	10,755
Due beyond five years	113,545
Total future maturities	\$ 166,180

Interest costs expensed and capitalized were as follows:

(in thousands)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
Interest expense	\$ 1,745	\$ 2,188	\$ 5,625	\$ 6,682
Interest capitalized	269	166	714	447
Total	\$ 2,014	\$ 2,354	\$ 6,339	\$ 7,129

#### Debt

The Company's credit facilities consist of \$125,000,000 in fixed interest rate term loans ("Met Fixed-Rate Term Loans"), \$57,500,000 in variable interest rate term loans ("Met Variable-Rate Term Loans"), a \$25,000,000 revolving line of credit ("RLOC") with Metropolitan Life Insurance Company and New England Life Insurance Company (collectively "Met"), and a \$70,000,000 working capital line of credit ("WCLC") with Rabo Agrifinance, Inc. ("Rabo").

The term loans and RLOC are secured by real property. The security for the term loans and RLOC consists of approximately 38,200 gross acres of citrus groves and 5,762 gross acres of ranch land. The WCLC is collateralized by the Company's current assets and certain other personal property owned by the Company.

The term loans, collectively, are subject to quarterly principal payments of \$2,281,250, and mature November 1, 2029. The Met Fixed-Rate Term Loans bear interest at 4.15% per annum, and the Met Variable-Rate Term Loans bear interest at a rate equal to 90 day LIBOR plus 165 basis points (the "LIBOR spread"). The LIBOR spread is subject to adjustment by the lender beginning May 1, 2017 and is subject to further adjustment every two years thereafter until maturity. No adjustment was made at May 1, 2019. Interest on the term loans is payable quarterly.

The interest rates on the Met Variable-Rate Term Loans were 4.23% per annum and 3.99% per annum as of June 30, 2019 and September 30, 2018, respectively.

The Company may prepay up to \$8,750,000 of the Met Fixed-Rate Term Loan principal annually without penalty, and any such prepayments may be applied to reduce subsequent mandatory principal payments. The maximum annual prepayment was made for calendar year 2015. During the first and second quarter of fiscal year 2018, the Company elected not to make its principal payment and utilized a portion of its 2015 prepayment to satisfy its principal payment requirements for such quarters. At June 30, 2019, the Company had \$5,625,000 remaining available from its 2015 prepayment to reduce future mandatory principal payments should the Company elect to do so. The Met Variable-Rate Term Loans may be prepaid without penalty.

The RLOC bears interest at a floating rate equal to 90 day LIBOR plus 165 basis points, payable quarterly. The LIBOR spread was adjusted by the lender on May 1, 2017 and is subject to further adjustment every two years thereafter. No adjustment was made at May 1, 2019. Outstanding principal, if any, is due at maturity on November 1, 2019. The RLOC is subject to an annual commitment fee of 25 basis points on the unused portion of the line of credit. The RLOC is available for funding general corporate needs. The variable interest rate was 4.23% and 3.99% per annum as of June 30, 2019 and September 30, 2018, respectively. Availability under the RLOC was \$25,000,000 as of June 30, 2019.

The WCLC is a revolving credit facility and is available for funding working capital and general corporate requirements. The interest rate on the WCLC is based on the one month LIBOR, plus a spread, which is adjusted quarterly, based on the Company's debt service coverage ratio for the preceding quarter and can vary from 175 to 250 basis points. The rate is currently at LIBOR plus 175 basis points. The variable interest rate was 4.19% per annum and 3.85% per annum as of June 30, 2019 and September 30, 2018, respectively. The WCLC agreement was amended on September 30, 2018, and the primary terms of the amendment were an extension of the maturity to November 1, 2021. There were no changes to the commitment amount or interest rate. Availability under the WCLC was approximately \$69,540,000 and \$57,015,000 as of June 30, 2019 and September 30, 2018, respectively.

The WCLC is subject to a quarterly commitment fee on the daily unused availability under the line computed as the commitment amount less the aggregate of the outstanding loans and outstanding letters of credit. The commitment fee is adjusted quarterly based on Alico's debt service coverage ratio for the preceding quarter and can vary from a minimum of 20 basis points to a maximum of 30 basis points. Commitment fees to date have been charged at 20 basis points.

There were no amounts outstanding on the WCLC at June 30, 2019. The WCLC agreement provides for Rabo to issue up to \$20,000,000 in letters of credit on the Company's behalf. As of June 30, 2019, there was approximately \$460,000 in outstanding letters of credit, which correspondingly reduced the Company's availability under the line of credit.

In 2014, the Company capitalized approximately \$2,834,000 of debt financing costs related to the refinancing. These costs, together with approximately \$339,000 of costs related to the retired debt, are being amortized to interest expense over the applicable terms of the loans. Additionally, approximately \$123,000 of financing costs were incurred for the fiscal year ended September 30, 2018 in connection with letters of credit. These costs are also being amortized to interest expense over the applicable terms of the obligations. The unamortized balance of deferred financing costs related to the financing above was approximately \$1,119,000 and approximately \$1,357,000 at June 30, 2019 and September 30, 2018, respectively.

These credit facilities noted above are subject to various covenants including the following financial covenants: (i) minimum debt service coverage ratio of 1.10 to 1.00, (ii) tangible net worth of at least \$160,000,000 increased annually by 10% of consolidated net income for the preceding years, or approximately \$163,581,000 for the year ended September 30, 2018, (iii) minimum current ratio of 1.50 to 1.00, (iv) debt to total assets ratio not greater than 0.625 to 1.00, and, solely in the case of the WCLC, (v) a limit on capital expenditures of \$30,000,000 per fiscal year. As of June 30, 2019, the Company was in compliance with all of the financial covenants.

The credit facilities also include a Met Life term loan collateralized by real estate owned by Citree ("Met Citree Loan"). This is a \$5,000,000 credit facility that bears interest at a fixed rate of 5.28% per annum. An initial advance of \$500,000 was made at closing on March 4, 2014. The loan agreement was amended to provide for an interim advance of \$2,000,000 on September 17, 2015, and the interest rate was adjusted to 5.30% per annum at the time of the interim advance. The final \$2,500,000 advance was funded on April 27, 2016 and the interest rate was adjusted to 5.28%. Principal payments on this term loan commenced February 1, 2018 and are payable quarterly thereafter. The loan matures in February 2029.

#### Transition from LIBOR

The Company is currently evaluating the impact of the transition from LIBOR as an interest rate benchmark to other potential alternative reference rates. Currently, the Company has debt instruments in place that reference LIBOR-based rates. The transition from LIBOR is estimated to take place in 2021 and management will continue to actively assess the related opportunities and risks involved in this transition.

#### *Silver Nip Citrus Debt*

There are two fixed-rate term loans, with an original combined balance of \$27,550,000, bearing interest at 5.35% per annum ("Pru Loans A & B"). Principal of \$290,000 is payable quarterly, together with accrued interest. On February 15, 2015, 734 Citrus Holdings, LLC d/b/a Silver Nip Citrus ("Silver Nip Citrus") made a prepayment of \$750,000. In addition, the Company made prepayments of approximately \$4,453,000 in the second fiscal quarter of 2018 with the sale of certain properties, which were collateralized under these loans. The Company may prepay up to \$5,000,000 of principal without penalty. As such, the Company exceeded the allowed \$5,000,000 prepayment by approximately \$203,000 and was required to make a premium payment of approximately \$22,000. The loans are collateralized by real estate in Collier, Hardee, Highlands and Polk Counties, Florida and mature on June 1, 2029 and June 1, 2033, respectively.

Silver Nip Citrus entered into two additional fixed-rate term loans with Prudential to finance the acquisition of a 1,500 acre citrus grove on September 4, 2014. Each loan was in the original amount of \$5,500,000. Principal of \$55,000 per loan is payable quarterly, together with accrued interest. One loan bears interest at 3.85% per annum ("Pru Loan E"), while the other bears interest at 3.45% per annum ("Pru Loan F"). The interest rate on Pru Loan E is subject to adjustment on September 1, 2019 and every year thereafter until maturity. Both loans are collateralized by real estate in Charlotte County, Florida. Pru Note E matures September 1, 2021, and Pru Note F matures September 1, 2039.

The Silver Nip Citrus credit agreements were amended on December 1, 2016. The primary terms of the amendments were (1) the Company provided a limited \$8,000,000 guaranty of the Silver Nip Citrus debt, (2) the limited personal guarantees provided by George Brokaw, Remy Trafelet and Clayton Wilson prior to the Company's merger with Silver Nip Citrus, and also totaling \$8,000,000, were released and (3) the consolidated current ratio covenant requirement was reduced from 1.50 to 1.00 to 1.00 to 1.00. Silver Nip Citrus was in compliance with the current ratio covenant as of June 30, 2019, the most recent measurement date.

## Note 6. Accrued Liabilities

Accrued liabilities consist of the following at June 30, 2019 and September 30, 2018:

(in thousands)

	June 30, 2019	September 30, 2018
Ad valorem taxes	\$ 1,418	\$ 2,196
Accrued interest	1,157	1,191
Accrued employee wages and benefits	1,682	3,115
Inventory received but not invoiced	19	726
Accrued dividends	448	492
Consulting and separation charges	400	—
Accrued insurance	231	223
Current portion of deferred retirement obligations	357	345
Accrued tender offer consulting charges	—	274
Other accrued liabilities	385	664
Total accrued liabilities	\$ 6,097	\$ 9,226

## Note 7. Deferred Gain on Sale

On November 21, 2014, the Company completed the sale of approximately 36,000 acres of land used for sugarcane production and land leasing in Hendry County, Florida to Global Ag Properties, LLC (“Global”) for approximately \$97,900,000 in cash.

The sales price was subject to post-closing adjustments over a ten year period. The Company realized a gain of approximately \$42,753,000 on the sale. Initially, \$29,140,000 of the gain was deferred due to the Company’s continuing involvement in the property pursuant to a post-closing agreement and the potential price adjustments. The deferral represented the Company’s estimate of the maximum exposure to loss as a result of the continuing involvement. A net gain of approximately \$13,613,000 was recognized at the time of the sale.

On October 1, 2018, the Company adopted ASC 610-20 and reevaluated the original post closing agreement under the guidance of ASC 610-20. As such, the Company recorded a derivative asset and derivative liabilities, which resulted in an increase to retained earnings of \$14,601,000. This adjustment consisted of recording a derivative asset in the amount of \$3,553,000 relating to potential payments due Alico from Global Ag Properties USA, LLC (“Global Ag”) and derivative liabilities of \$13,864,000 relating to potential payments due Global Ag from Alico. In the first quarter ended December 31, 2018, the Company recorded a loss of \$956,000, which reflects the change in fair value of the derivative asset and derivative liabilities. In the three months ended March 31, 2019, the Company recorded an additional loss of \$33,000.

On December 7, 2018, the Company and Global Ag entered into a Termination of Post Closing Agreement (the “2018 Post Closing Agreement”), pursuant to which the parties thereto agreed to certain terms and conditions under which a Post Closing Agreement, dated as of November 21, 2014 (the “2014 Post Closing Agreement”), may be terminated prior to the expiration of its stated term and with the payment of certain termination payments. The 2014 Post Closing Agreement was entered into in connection with the November 21, 2014 closing (the “Land Disposition”) of the sale by Alico to Global Ag of certain land used for sugarcane production and land leasing in Hendry County, Florida, (the “Land”).

The 2014 Post Closing Agreement contained obligations, including possible payments by Alico and by Global Ag to each other over a ten year period following the closing of the Land Disposition, with the payments each year being based on the difference, if any, between certain computed amounts. Since the time of the closing of the Land Disposition and up through March 11, 2019, the computations have resulted in payments being made each year by Alico to Global Ag., which have aggregated approximately \$6,518,000.

The 2018 Post Closing Agreement provided for (i) the termination of the 2014 Post Closing Agreement following the satisfaction of certain terms and conditions set forth in the termination agreement and (ii) the deposit by wire transfer into escrow of an aggregate of \$11,300,000 following notification by Global Ag to Alico of the closing date of a sale of the Land by Global Ag to a third party. The conditions to the termination of the 2014 Post Closing Agreement and the payment of funds to Global Ag included (a) Global Ag’s assignment to the third party buyer, and such third party buyer’s assumption, of certain specified water management obligations, irrigation and drainage easement obligations, access easements obligations and obligations under a certain option to

purchase certain railroad property owned by Alico, (b) delivery to the escrow agent of all instruments and consideration required to consummate the closing by Global Ag of the sale of the Land to the third party buyer, and (c) delivery to the escrow agent of copies of a water management project cooperation agreement running in favor of Alico and signed by Global Ag and the third party buyer.

On March 11, 2019, the 2018 Post Closing Agreement was completed. As such, all the conditions of the termination of the 2014 Post Closing Agreement, mentioned above, were met with the sale of the sugarcane land to a third party. As a result, the Company does not have any future liabilities or commitments to Global Ag in connection with the 2014 Post Closing Agreement.

#### Note 8. Income Taxes

On December 22, 2017, the U.S. Tax Cuts and Jobs Act (the "Act") was signed into law. The Act contains significant changes to corporate taxes, including a permanent reduction of the U.S. corporate tax rate from 35% to 21% effective January 1, 2018. The Company's statutory rate for the fiscal year ended September 30, 2018 was 24.5%, based on a fiscal year blended rate calculation. The 21% U.S. corporate tax rate will apply to the fiscal years ending September 30, 2019 and each year thereafter.

The Act required a one-time remeasurement of certain tax related assets and liabilities. During the first quarter ended December 31, 2017, the Company made certain estimates related to the impact of the Act including the remeasurement of deferred taxes at the new expected tax rate and a revised effective tax rate for the year ended September 30, 2018. The amounts recorded in the six months ended March 31, 2018 for the remeasurement of deferred taxes principally relate to the reduction in the U.S. corporate income tax rate. During the second and third quarter of fiscal year 2018, the Company made certain updates to the estimates used during the first quarter, which resulted in a change to the remeasurement. For the nine months ended June 30, 2018, the Company has recorded a tax benefit of approximately \$10,000,000 to account for these deferred tax impacts.

The impact of adopting ASC 610 -20 was modified in the quarter ended March 31, 2019 to reflect the deferred tax impact of this adoption. The deferred tax asset related to the deferred gain on sale has been decreased by \$3,704,000 with a corresponding decrease to retained earnings in the quarter ended March 31, 2019, offsetting the October 1, 2018 increase of \$14,601,000 to retained earnings for the ASC 610-20 implementation (see Note 7. "Deferred Gain on Sale").

#### Note 9. Earnings Per Common Share

Basic earnings per share for Alico's common stock is calculated by dividing net income attributable to Alico common stockholders by the weighted average number of shares of common stock outstanding for the period. Diluted earnings per common share is similarly calculated, except that the calculation includes the dilutive effect of the assumed issuance of common shares issuable under equity-based compensation plans in accordance with the treasury stock method, except where the inclusion of such common shares would have an anti-dilutive impact.

For the three and nine months ended June 30, 2019 and 2018, basic and diluted earnings per common share were as follows:

*(in thousands except per share amounts)*

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
Net income attributable to Alico, Inc. common stockholders	\$ 16,244	\$ 9,100	\$ 21,324	\$ 12,332
Weighted average number of common shares outstanding - basic	7,470	8,228	7,470	8,243
Dilutive effect of equity-based awards	1	96	24	71
Weighted average number of common shares outstanding - diluted	7,471	8,324	7,494	8,314
Net income per common shares attributable to Alico, Inc. common stockholders:				
Basic	\$ 2.17	\$ 1.11	\$ 2.85	\$ 1.50
Diluted	\$ 2.17	\$ 1.09	\$ 2.85	\$ 1.48

For the nine months ended June 30, 2019, equity awards are comprised of 227,500 stock options granted to Executive Officers, after taking into effect the forfeitures of 832,500 stock options (see Note 11. "Stockholders Equity"). There were no anti-dilutive equity awards that were excluded from the calculation of diluted earnings per common share for the three and nine months ended June 30, 2019.

#### Note 10. Segment Information

##### Segments

Total revenues represent sales to unaffiliated customers, as reported in the Condensed Consolidated Statements of Operations. Goods and services produced by these segments are sold to wholesalers and processors in the United States who prepare the products for consumption. The Company evaluates the segments' performance based on direct margins (gross profit) from operations before general and administrative expenses, interest expense, other income (expense) and income taxes, not including nonrecurring gains and losses.

Information by operating segment is as follows:

(in thousands)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
<b>Revenues:</b>				
Alico Citrus	\$ 56,819	\$ 25,711	\$ 118,539	\$ 77,499
Water Resources and Other Operations	746	806	2,326	2,151
Total revenues	\$ 57,565	\$ 26,517	\$ 120,865	\$ 79,650
<b>Operating expenses:</b>				
Alico Citrus	\$ 31,141	\$ 13,697	\$ 73,597	\$ 56,102
Water Resources and Other Operations	420	906	1,768	3,219
Total operating expenses	\$ 31,561	\$ 14,603	\$ 75,365	\$ 59,321
<b>Gross profit (loss):</b>				
Alico Citrus	\$ 25,678	\$ 12,014	\$ 44,942	\$ 21,397
Water Resources and Other Operations	326	(100)	558	(1,068)
Total gross profit	\$ 26,004	\$ 11,914	\$ 45,500	\$ 20,329
<b>Depreciation, depletion and amortization:</b>				
Alico Citrus	\$ 3,445	\$ 3,342	\$ 10,309	\$ 10,106
Water Resources and Other Operations	27	44	82	161
Other Depreciation, Depletion and Amortization	18	19	50	60
Total depreciation, depletion and amortization	\$ 3,490	\$ 3,405	\$ 10,441	\$ 10,327

(in thousands)

	June 30,	September 30,
	2019	2018
<b>Assets:</b>		
Alico Citrus	\$ 381,298	\$ 405,752
Water Resources and Other Operations	16,691	15,904
Other Corporate Assets	1,530	1,766
Total Assets	\$ 399,519	\$ 423,422

## Note 11. Stockholders' Equity

The Company recognizes stock-based compensation expense for (i) Board of Directors (the "Board of Directors" or the "Board") fees (paid in treasury stock), and (ii) other awards under the Stock Incentive Plan of 2015 (paid in restricted stock and stock options) (the "2015 Plan"). Stock-based compensation expense is recognized in general and administrative expenses in the Condensed Consolidated Statements of Operations.

### *Stock Compensation - Board of Directors*

The Board of Directors can either elect to receive stock compensation or cash for their fees for services provided. Stock-based compensation expense relating to the Board of Director fees was approximately \$200,000 and \$676,000 for the three and nine months ended June 30, 2019, and approximately \$238,000 and \$621,000 for the three and nine months ended June 30, 2018, respectively.

### *Restricted Stock*

In fiscal year 2015, the Company awarded 12,500 restricted shares of the Company's common stock ("Restricted Stock") to two senior executives under the 2015 Plan at a weighted average fair value of \$49.49 per common share, vesting over three to five years.

In November 2017, a senior executive was awarded 5,000 restricted shares of the Company's common stock ("Restricted Stock") under the 2015 Plan at a weighted average fair value of \$31.95 per common share, vesting over approximately three years.

Stock compensation expense related to the Restricted Stock totaled approximately \$25,000 and \$77,000 for the three and nine months ended June 30, 2019, and \$37,000 and \$100,000 for the three and nine months ended June 30, 2018, respectively. There was approximately \$95,000 and \$172,000 of total unrecognized stock compensation costs related to unvested stock compensation for the Restricted Stock grants at June 30, 2019 and September 30, 2018, respectively.

### *Stock Option Grant*

Stock option grants of 10,000 options to Mr. John Kiernan (the "2019 Option Grants") were granted on October 25, 2018. The option exercise price for these options was set at \$33.34, the closing price on October 25, 2018. The 2019 Option Grants will vest as follows: (i) 3,333 of the options will vest if the price of the Company's common stock during a consecutive 20-trading day period exceeds \$40.00; (ii) 3,333 of the options will vest if the price of the Company's common stock during a consecutive 20-trading day period exceeds \$45.00; (iii) 3,334 of the options will vest if the price of the Company's common stock during a consecutive 20-trading day period exceeds \$50.00. If the applicable stock price hurdles have not been achieved by (A) the date that is 18 months following the Executive's termination of employment, if the Executive's employment is terminated due to death or disability, (B) the date that is 12 months following the Executive's termination of employment, if the Executive's employment is terminated by the Company without cause, by the Executive with good reason, or due to the Executive's retirement, or (C) the date of the termination of the Executive's employment for any other reason, then any unvested options will be forfeited. In addition, if the applicable stock price hurdles have not been achieved by December 31, 2021 then any unvested options will be forfeited. The 2019 Option Grants will also become vested to the extent that the applicable stock price hurdles are satisfied in connection with a change in control of the Company. As of June 30, 2019, the Company's stock was trading at \$30.34 per share, and during the nine months ended June 30, 2019, the stock did not trade above \$40.00 per share; accordingly, none of the stock options are vested at June 30, 2019.

Stock option grants of 210,000 options to Mr. Remy Trafelet and 90,000 options to Mr. John Kiernan (collectively, the "2018 Option Grants") were granted on September 7, 2018. The option exercise price for these options was set at \$33.60, the closing price on September 7, 2018. The 2018 Option Grants will vest as follows: (i) 25% of the options will vest if the price of the Company's common stock during a consecutive 20-trading day period exceeds \$35.00; (ii) 25% of the options will vest if the price of the Company's common stock during a consecutive 20-trading day period exceeds \$40.00; (iii) 25% of the options will vest if the price of the Company's common stock during a consecutive 20-trading day period exceeds \$45.00; and (iv) 25% of the options will vest if the price of the Company's common stock during a consecutive 20-trading day period exceeds \$50.00. If the applicable stock price hurdles have not been achieved by (A) the date that is 18 months following the Executive's termination of employment, if the Executive's employment is terminated due to death or disability, (B) the date that is 12 months following the Executive's termination of employment, if the Executive's employment is terminated by the Company without cause, by the Executive with good reason, or due to the Executive's retirement, or (C) the date of the termination of the Executive's employment for any other reason, then any unvested options will be forfeited. In addition, if the applicable stock price hurdles have not been achieved by December 31, 2021 then any unvested options will be forfeited. The 2018 Option Grants will also become vested to the extent

that the applicable stock price hurdles are satisfied in connection with a change in control of the Company. As of June 30, 2019, the Company's stock was trading at \$30.34 per share, and during the nine months ended June 30, 2019, the stock did not trade above \$35.00 per share; accordingly, none of the stock options are vested at June 30, 2019. As set forth below, more than a majority of the 2018 Option Grants issued to Mr. Trafelet were forfeited and the vesting conditions of the remainder were modified, all pursuant to the Settlement Agreement, as defined below.

A stock option grant of 300,000 options in the case of Mr. Trafelet and 225,000 options in the case of each of Mr. Henry Slack and Mr. George Brokaw (collectively, the "2016 Option Grants") were granted on December 31, 2016. The option price was set at \$27.15, the closing price on December 31, 2016. The 2016 Option Grants will vest as follows: (i) 25% of the options will vest if the price of the Company's common stock during a consecutive 20-trading day period exceeds \$60.00; (ii) 25% of the options will vest if such price exceeds \$75.00; (iii) 25% of the options will vest if such price exceeds \$90.00; and (iv) 25% of the options will vest if such price exceeds \$105.00. If the applicable stock price hurdles have not been achieved by (A) the second anniversary of the Executive's termination of employment, if the Executive's employment is terminated due to death or disability, (B) the date that is 18 months following the Executive's termination of employment, if the Executive's employment is terminated by the Company without cause, by the Executive with good reason, or due to the Executive's retirement, or (C) the date of the termination of the Executive's employment for any other reason, then any unvested options will be forfeited. In addition, if the applicable stock price hurdles have not been achieved by the fifth anniversary of the grant date (or the fourth anniversary of the grant date, in the case of the tranche described in clause (i) above), then any unvested options will be forfeited. The 2016 Option Grants will also become vested to the extent that the applicable stock price hurdles are satisfied in connection with a change in control of the Company. As of June 30, 2019, the Company's stock was trading at \$30.34 per share, and during the nine months ended June 30, 2019, the stock did not trade above \$60.00 per share; accordingly, none of the stock options are vested at June 30, 2019. As set forth below, all of the 2016 Option Grants issued to Mr. Trafelet were forfeited pursuant to the Settlement Agreement, as defined below.

Additionally, 187,500 shares of the 2016 Option Grants made to each of Messrs. Slack and Brokaw were forfeited on September 5, 2018 and no replacement options were granted. As such, the remaining unrecognized expense associated with these options of approximately \$783,000 was accelerated and recorded for the fiscal year ended September 30, 2018.

Pursuant to a Settlement Agreement (described in Note 13. "Related Party Transactions"), which was unanimously approved by the Board of Directors, Mr. Trafelet agreed to voluntarily resign from his roles as president and chief executive officer and a director of the Company. Under the Settlement Agreement, Mr. Trafelet forfeited (i) all the 2016 Option Grants granted to him and (ii) all of the 2018 Option Grants granted to him in September 2018, other than 26,250 stock options that will vest if the minimum price of Alico's common stock over 20 consecutive trading days exceeds \$35.00 per share and 26,250 stock options that will vest if the minimum price of Alico's common stock over 20 consecutive trading days exceeds \$40.00 per share ("2019 Modified Option Grant"), in each case, by the first anniversary of the date of the Settlement Agreement (collectively, the "Retained Options"). Any Retained Options that vest in accordance with their terms will expire on the date that is six months following the date on which the Retained Option vests, and any Retained Options that do not vest by the first anniversary of the Settlement Agreement will be forfeited as of such first anniversary. As a result of the forfeited stock options, the Company reversed \$823,000 of previously recorded stock compensation expense during the quarter ended March 31, 2019, which is recorded as a reduction of General and Administrative expense.

Stock compensation expense related to the options totaled approximately \$89,000 and \$607,000 for the three and nine months ended June 30, 2019, prior to taking into effect the forfeited stock options during the quarter ended June 30, 2019, and \$205,000 and \$616,000 for the three and nine months ended June 30, 2018, respectively. After taking into effect these forfeitures, the Company recorded a credit to stock compensation expense of \$0 and \$823,000 for the three and nine months ended June 30, 2019, respectively. At June 30, 2019 and September 30, 2018, there was approximately \$569,000 and \$2,842,000 of total unrecognized stock compensation costs related to unvested share-based compensation for the option grants, respectively. The total unrecognized compensation cost is expected to be recognized over a weighted-average period of approximately 1.47 years.

The fair value of the 2019, 2018 and 2016 Option Grants was estimated on the date of grant using a Monte Carlo valuation model that uses the assumptions noted in the following table. The expected term of options granted is derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding; the range given below results from different time-frames for the various market conditions being met.

### 2019 Modified Option Grant

Expected Volatility	25.0 %
Expected Term (in years)	1.50
Risk Free Rate	2.52 %

The weighted-average grant-date fair value of the 2019 Modified Option Grant was \$1.40.

### 2019 Option Grants

Expected Volatility	30.0 %
Expected Term (in years)	4.09
Risk Free Rate	2.95 %

The weighted-average grant-date fair value of the 2019 Option Grants was \$7.10.

### 2018 Option Grants

Expected Volatility	30.0 %
Expected Term (in years)	3.32
Risk Free Rate	2.80 %

The weighted-average grant-date fair value of the 2018 Option Grants was \$7.40.

### 2016 Option Grants

Expected Volatility	32.2 %
Expected Term (in years)	2.6 - 4.0
Risk Free Rate	2.45 %

The weighted-average grant-date fair value of the 2016 Option Grants was \$3.53.

There were no additional stock options granted or exercised for the fiscal quarter ended June 30, 2019. As of June 30, 2019, there remained 1,005,000 common shares available for issuance under the 2015 Plan.

#### *Stock Repurchase Authorizations*

In the fiscal year 2017, the Board of Directors authorized the repurchase of up to \$7,000,000 of the Company's common stock in two separate authorizations (the "2017 Authorization"). In March 2017, the Board of Directors authorized the repurchase of up to \$5,000,000 of the Company's common stock beginning March 9, 2017 and continuing through March 9, 2019. In May 2017, the Board of Directors authorized the repurchase of up to an additional \$2,000,000 of the Company's common stock beginning May 24, 2017 and continuing through May 24, 2019. The stock repurchases made under this repurchase were made through open market transactions at times and in such amounts as the Company's broker determined subject to the provisions of SEC Rule 10b-18.

On October 3, 2018, the Company completed a tender offer of 752,234 shares at a price of \$34.00 per share aggregating \$25,575,956. 734 Investors, Alico's largest stockholder since 2013, participated in the tender offer and sold a small percentage of its holdings.

For the three and nine months ended June 30, 2019, the Company did not purchase any shares under the 2017 Authorization.

The following table illustrates the Company's treasury stock activity for the nine months ended June 30, 2019:

(in thousands, except share amounts)

	Shares	Cost
Balance as of September 30, 2018	216,188	\$ 7,536
Purchased	752,234	25,576
Issued to employees and directors	(22,308)	(907)
Balance as of June 30, 2019	946,114	\$ 32,205

#### Capital Contribution

On April 16, 2018, all operating partners of Citree received a funding notice relating to an additional Cash Capital Contribution ("Contribution") requirement of approximately \$2,041,000 as a result of Hurricane Irma, which reduced the amount of crop available for sale in the 2017-2018 harvest season and the Company's adoption of a more extensive caretaking plan focused on limiting the impact of citrus greening. The Company's portion of the Contribution was approximately \$1,041,000 and was funded on April 27, 2018. The remaining portion of the Contribution of \$1,000,000 was funded by the noncontrolling parties.

#### Note 12. Commitments and Contingencies

##### Letters of Credit

The Company had outstanding standby letters of credit in the total amount of approximately \$460,000 and \$10,300,000 at June 30, 2019 and September 30, 2018, respectively, to secure its various contractual obligations. Upon the completion of the 2018 Post Closing Agreement (and corresponding termination of the 2014 Post-Closing Agreement) during the quarter ended March 31, 2019, the Company terminated its \$9,800,000 standby letter of credit associated with the Global Ag Land Disposition transaction (see Note 7. "Deferred Gain on Sale").

##### Legal Proceedings

###### Florida Litigation

On November 16, 2018, 734 Agriculture, RCF 2014 Legacy LLC, Delta Offshore Master II, LTD. and Mr. Remy W. Trafelet (the "Trafelet Parties"), the Company's President and Chief Executive Officer and a member of the Board of Directors, filed a lawsuit against Messrs. George R. Brokaw, Henry R. Slack, W. Andrew Krusen and Greg Eisner, members of the Board of Directors, in the Circuit Court (the "Circuit Court") for Hillsborough County, Florida (the "Florida Litigation"). The Trafelet Parties sought, among other things, a declaration that (1) a purported stockholder action by written consent, delivered to the Company in the name of 734 Investors and the plaintiffs in the Florida Litigation on November 11, 2018 (the "Purported Consent") was valid and binding, (2) the resolutions passed at a meeting of the Board of Directors on November 12, 2018, to, among other things, constitute an ad hoc committee of the Board of Directors to consider, evaluate and make any and all determinations, and to take any and all actions, on behalf of the Board of Directors, in connection with the Purported Consent were null and void and (3) the four defendants in the Florida Litigation were properly removed from the Board of Directors by the Purported Consent. On November 27, 2018, the Circuit Court denied without prejudice plaintiffs' motion for a temporary restraining order and an affirmative injunction restoring Mr. Trafelet from administrative leave to active status in his capacity as President and CEO of the Company.

On November 28, 2018, the parties in the Florida Litigation stipulated to an order which provided, pending the resolution of the Delaware Litigation (as defined below), that (1) the record date for the Purported Consent was stayed indefinitely, and (2) Mr. Trafelet and the Company's Board of Directors should not take any action out of routine day-to-day operations conducted in the ordinary course of business, including any action to change the corporate governance of Alico or removing any corporate officers or directors from positions held as of November 27, 2018.

On December 6, 2018, the Trafelet Parties filed an amended complaint in the Florida Litigation which added the Company and Benjamin D. Fishman, a member of the Board of Directors, as defendants. On December 21, 2018, the Trafelet Parties filed a renewed motion for a preliminary injunction restoring Mr. Trafelet from administrative leave to active status in his capacity as President and CEO of the Company. On January 14, 2019, the defendants in the Florida Litigation filed an opposition to plaintiffs'

renewed motion for a preliminary injunction. On January 18, 2019, the defendants in the Florida Litigation filed a motion to dismiss the plaintiffs' amended complaint.

On February 11, 2019, the parties to the Florida Litigation entered into a settlement agreement (the "Alico Settlement Agreement") wherein the parties agreed to promptly dismiss all claims in the Florida Litigation. Pursuant to the Alico Settlement Agreement, Mr. Trafelet agreed to voluntarily resign as president and chief executive officer and as a member of the Board of Directors, effective upon the execution of the Alico Settlement Agreement.

As contemplated by the Alico Settlement Agreement, on February 11, 2019, the Company entered into a consulting agreement (the "Consulting Agreement") with Mr. Trafelet and 3584 Inc., an entity controlled by Mr. Trafelet (the "Consultant"). Pursuant to the Consulting Agreement, Mr. Trafelet will make himself available to provide consulting services to the Company through the Consultant for up to 24 months. In exchange for the consulting services, the Consultant will receive an annual consulting fee of \$400,000. If the Company terminates the consulting period (other than in certain specified circumstances), the Company will continue to pay the consulting fees described in the immediately preceding sentence through the balance of the 24-month term. As such, the Company recorded the \$800,000 as expense in the quarter ended March 31, 2019.

In addition, on February 11, 2019, as contemplated by the Alico Settlement Agreement, the Company entered into a Registration Rights Agreement (the "Registration Rights Agreement") with Mr. Trafelet, relating to the shares of the Company's common stock directly held by the Trafelet Parties as of February 11, 2019 (the "Registrable Securities"). The Registration Rights Agreement requires the Company to, among other things and subject to the terms and conditions thereof, use reasonable best efforts to file with the SEC a registration statement on Form S-3 covering the resale of the Registrable Securities.

#### Delaware Litigation

On November 20, 2018, members of 734 Investors filed a lawsuit against 734 Agriculture and Mr. Trafelet, the Company's President and Chief Executive Officer and a member of the Board of Directors in the Delaware Court of Chancery (the "Delaware Court"), captioned Arlon Valencia Holdings v. Trafelet, C.A. No. 2018-0842-JTL (the "Members' Delaware Litigation"). The plaintiffs sought, among other things, a declaration that (1) 734 Agriculture was validly replaced as the managing member of 734 Investors pursuant to the Amended and Restated Limited Liability Company Operating Agreement of 734 Investors (the "LLC Agreement") and the Purported Consent (described above), and (2) the Purported Consent was invalid under the LLC Agreement.

Also on November 20, 2018, 734 Agriculture filed a lawsuit contesting the Purported Consent in the Delaware Court, captioned 734 Agriculture v. Arlon Valencia Holdings, LLC, C.A. No. 2018-0844-JTL (the "734 Delaware Litigation"). On November 27, 2018, the Delaware Court entered a stipulated order consolidating the Members' Delaware Litigation and the 734 Delaware Litigation into a single lawsuit, captioned In re 734 Investors, LLC Litigation, Consol. C.A. No. 2018-0844-JTL (the consolidated suit, the "Delaware Litigation").

On December 5, 2018, the Delaware Court entered a stipulated status quo order which provided, among other things, that 734 Agriculture was to serve as the managing member of 734 Investors during the pendency of the Delaware Litigation. The status quo order also provided that 734 Agriculture would not be permitted to take any actions outside of the ordinary course of business of 734 Investors without the consent of two-thirds of the membership interests of 734 Investors, including exercising any voting rights with respect to any shares of the Company's common stock beneficially owned by 734 Investors.

On February 11, 2019, Mr. Trafelet, 734 Agriculture, 734 Investors, and certain members of 734 Investors entered into a settlement agreement (the "734 Investors Settlement Agreement") wherein the parties agreed to promptly dismiss all claims in the Delaware Litigation. Pursuant to the 734 Investors Settlement Agreement, 734 Agriculture resigned as Managing Member of 734 Investors and Arlon Valencia Holdings, LLC was confirmed as Managing Member of 734 Investors.

From time to time, Alico may be involved in litigation relating to claims arising out of its operations in the normal course of business. There are no other current legal proceedings to which the Company is a party or of which any of its property is subject that it believes will have a material adverse effect on its financial position, results of operations or cash flows.

#### Purchase Commitments

The Company enters into contracts for the purchase of citrus trees during the normal course of its business. As of June 30, 2019, the Company had approximately \$2,421,000 relating to outstanding commitments for these purchases, which will be paid upon delivery.

### **Note 13. Related Party Transactions**

#### *Clayton G. Wilson*

The Company entered into a Separation and Consulting Agreement with Clayton G. Wilson (the "Separation and Consulting Agreement"), the Company's Chief Executive Officer, pursuant to which Mr. Wilson stepped down as Chief Executive Officer of the Company effective as of December 31, 2016. Under the Separation and Consulting Agreement, Mr. Wilson also acknowledged and agreed that he would continue to be bound by the restrictive covenants set forth in his Employment Agreement with the Company. The Separation and Consulting Agreement provided that, subject to his execution, delivery, and non-revocation of a general release of claims in favor of the Company, Mr. Wilson would be entitled to vesting of any unvested portion of the restricted stock award granted to him under his Employment Agreement. In addition, the Separation and Consulting Agreement provided that Mr. Wilson serve as a consultant to the Company during 2017 and would receive an aggregate consulting fee of \$750,000 for such services (payable \$200,000 in an initial lump sum, \$275,000 in a lump sum on July 1, 2017, and \$275,000 in six equal monthly installments commencing July 31, 2017 and ending December 31, 2017). As of December 31, 2017 the Company satisfied its obligation to Mr. Wilson in full. The Company expensed approximately \$0 and \$187,500 under the Consulting and Non-Competition Agreement for the nine months ended June 30, 2019 and 2018, respectively. Mr. Wilson resigned as a member of the Company's Board of Directors effective February 27, 2017.

#### *Henry R. Slack and George R. Brokaw*

Beginning June 26, 2017, both Messrs. Slack and Brokaw agreed to waive payment of their salaries.

#### *Remy Trafelet*

As described above, on February 11, 2019 and as contemplated by the Alico Settlement Agreement, Mr. Trafelet submitted to the Board his resignation as president and chief executive officer of the Company and a member of the Board, effective upon the execution of the Alico Settlement Agreement. Also on February 11, 2019, as contemplated by the Settlement Agreement, the Company entered into a consulting agreement (the "Consulting Agreement") with Mr. Trafelet and 3584 Inc., an entity controlled by Mr. Trafelet (the "Consultant"). Pursuant to the Consulting Agreement, Mr. Trafelet will make himself available to provide consulting services to the Company through the Consultant for up to 24 months. In exchange for the consulting services, the Consultant will receive an annual consulting fee of \$400,000. As of June 30, 2019, the Company has paid approximately \$154,000 towards these consulting fees. If the Company terminates the consulting period (other than in certain specified circumstances), the Company will continue to pay the consulting fees described in the immediately preceding sentence through the balance of the 24-month term.

#### *Shared Services Agreement*

The Company had a shared services agreement with Trafelet Brokaw Capital Management, L.P. ("TBCM"), whereby the Company reimbursed TBCM for use of office space and various administrative and support services. The agreement expired December 31, 2018 and has not been extended or renewed. The annual cost of the office and services was approximately \$618,000. The Company expensed approximately \$0 and \$149,000 under the Shared Services Agreement for the three months ended June 30, 2019 and 2018, respectively, and \$147,000 and \$443,000 for the nine months ended June 30, 2019 and 2018, respectively.

### **Note 14. Subsequent Event**

On August 1, 2019, the Company received \$5,775,000 under the Florida Citrus Recovery Block Grant ("CRBG") relating to Hurricane Irma. This represents the Part 1 of reimbursement under a three part program. The timing and amount to be received under Part 2 and Part 3 of the program, if any, has not been finalized.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and related Notes thereto. Additional context can also be found in Alico's Annual Report on Form 10-K for the fiscal year ended September 30, 2018 as filed with the Securities and Exchange Commission ("SEC") on December 6, 2018 as amended by Form 10-K/A, as filed with the SEC on January 25, 2019.

### **Cautionary Statement Regarding Forward-Looking Information**

*We provide forward-looking information in this Quarterly Report on Form 10-Q, particularly in this Management's Discussion and Analysis and Results of Operations, pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Any statements in this Quarterly Report on Form 10-Q that are not historical facts are forward-looking statements. Forward-looking statements include, but are not limited to, statements that express our intentions, beliefs, expectations, strategies, predictions or any other statements relating to our future activities or other future events or conditions. These statements are based on our current expectations, estimates and projections about our business based, in part, on assumptions made by our management. Factors which may cause future outcomes to differ materially from those foreseen in forward-looking statements include, but are not limited to: changes in laws, regulation and rules; weather conditions that affect production, transportation, storage, demand, import and export of fresh product and their by-products; increased pressure from diseases including citrus greening and citrus canker, as well as insects and other pests; disruption of water supplies or changes in water allocations; pricing and supply of raw materials and products; market responses to industry volume pressures; pricing and supply of energy; changes in interest rates; availability of financing for land development activities and other growth and corporate opportunities; onetime events; acquisitions and divestitures; seasonality; our ability to achieve the anticipated cost savings under the Alico 2.0 Modernization program; labor disruptions; inability to pay debt obligations; inability to engage in certain transactions due to restrictive covenants in debt instruments; government restrictions on land use; changes in agricultural land values; market and pricing risks due to concentrated ownership of stock market and pricing risks due to concentrated ownership of stock; the Company's receipt of future funding from the state of Florida in connection with water retention projects; any Federal relief received in the future by the Company in connection with Hurricane Irma; any reduction in the public float resulting from the 2018 tender offer or any subsequent repurchases of common stock by the Company; recent changes in the Equity Plan awards to Employees; continuation of the Company's dividend policy; expressed desire of certain of our stockholders to liquidate their shareholdings by virtue of past market sales of common stock by sales of common stock into the 2018 tender offer or by way of future transactions; decreased cash availability as a result of closing the 2018 tender offer and effectuating share repurchases; political changes and economic crises; competitive actions by other companies; changes in dividends; increased competition from international companies; changes in environmental regulations and their impact on farming practices; the ability to secure permits for the Water Storage Contract and Project; the land ownership policies of governments; changes in government farm programs and policies and international reaction to such programs; changes in pricing calculations with our customers; fluctuations in the value of the U. S. dollar, interest rates, inflation and deflation rates; changes in and effects of crop insurance programs, global trade agreements, trade restrictions and tariffs; and soil conditions, harvest yields, prices for commodities, and crop production expenses. These assumptions are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in the forward-looking statements due to numerous factors, including those Risks Factors described in our Annual Report on Form 10-K for the fiscal year ended September 30, 2018 and our Quarterly Reports on Form 10-Q.*

## ***Business Overview***

### **Business Description**

Alico, Inc., together with its subsidiaries (collectively, "Alico", the "Company", "we", "us" or "our") generates operating revenues primarily from the sale of its citrus products and grazing and hunting leasing. The Company operates as two business segments and substantially all of its operating revenues are generated in the United States. For the three and nine months ended June 30, 2019, Alico generated operating revenues of approximately \$57,565,000 and \$120,865,000, respectively, income from operations of approximately \$23,322,000 and \$34,714,000, respectively, and net income attributable to common stockholders of approximately \$16,244,000 and \$21,324,000, respectively. Cash provided by operating activities was approximately \$41,686,000 for the nine months ended June 30, 2019.

### **Business Segments**

Operating segments are defined in the criteria established under the Financial Accounting Standards Board - Accounting Standards Codification ("FASB ASC") Topic 280 as components of public entities that engage in business activities from which they may earn revenues and incur expenses for which separate financial information is available and which is evaluated regularly by the Company's chief operating decision maker ("CODM") in deciding how to assess performance and allocate resources. The Company's CODM assesses performance and allocates resources based on its operating segments.

The Company has two segments as follows:

- Alico Citrus includes activities related to planting, owning, cultivating and/or managing citrus groves in order to produce fruit for sale to fresh and processed citrus markets, including activities related to the purchase and resale of fruit and value-added services, which include contracting for the harvesting, marketing and hauling of citrus; and
- Water Resources and Other Operations includes activities related to sod, native plant sales, grazing and hunting leasing, management and/or conservation of unimproved native pasture land and activities related to rock mining royalties and other insignificant lines of business. Also included are activities related to owning and/or leasing improved farmland. Improved farmland is acreage that has been converted, or is permitted to be converted, from native pasture and which may have various improvements including irrigation, drainage and roads.

### ***Critical Accounting Policies and Estimates***

The discussion and analysis of the Company's financial condition and results of operations is based upon its unaudited condensed consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires it to make certain estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. Alico bases these estimates on historical experience, available current market information and on various other assumptions that management believes are reasonable under the circumstances. Additionally, the Company evaluates the results of these estimates on an on-going basis. Management's estimates 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.

There have been no significant changes during this reporting period to the policies and disclosures, except for the adoption of ASC 610-20 "Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets" as noted in Note 1 "Basis of Presentation" to the condensed consolidated financial statements in Item 1 of Part I of this Form 10-Q, and set forth in Part II, Item 7 in Alico's Annual Report on Form 10-K for the fiscal year ended September 30, 2018.

See Note 1. "Basis of Presentation" to the condensed consolidated financial statements in Item 1 of Part I of this Form 10-Q for a detailed description of recent accounting pronouncements.

## Recent Developments

### *Alico 2.0 Modernization Program*

On November 16, 2017, we announced the Alico 2.0 Modernization Program (“Alico 2.0”). This program has transformed three legacy businesses (Alico, Orange Co., and Silver Nip Citrus) into a single efficient enterprise, Alico Citrus, one of the leaders in the U.S. citrus industry. This initiative explored every aspect of Alico’s citrus and ranch operations, including corporate and operational cost structures, grove costs, purchasing and procurement, non-performing and under-performing assets, professional fees, and human resources efficiency.

Under this program, we expected to reduce citrus total expenses per acre to \$2,164/acre and the cost to produce a pound solid to \$1.56 when Alico 2.0 is fully implemented in 2020. Through June 30, 2019, the Company is on target to meet these thresholds. These efficiencies are being achieved through better purchasing, more precise application of selected fertilizers and chemicals, outsourcing work such as harvesting, hauling, and certain caretaking tasks, and by streamlining grove management. We have also deployed a more efficient labor model that is consistent and uniform for field staffing and grove operating programs and aligns with the geographical footprint of the citrus groves.

The Company is working to maintain operational efficiencies and deploy its resources to solidify the Company’s position as a leader in the recovering citrus industry.

The Company planted over 400,000 trees in the fiscal year 2018, and intends to plant approximately 400,000 trees in the fiscal year 2019 to help position the Company for future production growth beyond 2020. The Company believes that its current acreage can produce 10,000,000 boxes per year on a sustained basis, even in an environment where citrus greening is pervasive.

### *Tender Offer*

On September 5, 2018, the Board of Directors approved and Alico announced the commencement of an issuer offer (the “Tender Offer”) to purchase up to \$19,999,990 in value of shares of its common stock at a purchase price of \$34.00 per share. On October 3, 2018, upon the terms and subject to the conditions described in the Offer to Purchase dated September 5, 2018, including the ability to increase the aggregate value of shares purchased, Alico repurchased an aggregate of 752,234 shares at a price of \$34.00 per share aggregating \$25,575,956. These shares represented approximately 9.2% of the total number of shares of the Company’s common stock issued and outstanding as of October 2, 2018. Included in the 752,234 shares were 163,999 shares that the Company elected to purchase pursuant to its right to purchase up to an additional 2% of its outstanding shares of common stock. 734 Investors, LLC, Alico’s largest stockholder since 2013, participated in the Tender Offer and sold a small percentage of its holdings of the Company’s common stock. Members of neither the management team nor the Board of Directors sold any shares directly in the Tender Offer.

### *Termination Proceedings against Mr. Remy W. Trafelet*

On November 19, 2018, Alico, with unanimous approval of the members of the Board of Directors, other than Remy W. Trafelet, notified Mr. Trafelet, the Company’s President and Chief Executive Officer and a member of the Board of Directors, that it intended to consider terminating his employment for “cause” pursuant to the terms of his employment agreement with the Company and option agreements entered into under the Company’s Stock Incentive Plan of 2015 (collectively, the “Compensation Documents”). On November 28, 2018, the parties in the Florida Litigation (as defined below) stipulated to an order which provided, among other things, that pending the resolution of the Delaware Litigation (as defined below), the Board of Directors would not take any action out of the routine day-to-day operations conducted in the ordinary course of business, including removing any corporate officers or directors from positions held as of November 27, 2018.

As described in “Note 12. Commitments and Contingencies” to the condensed consolidated financial statements in Item 1, Part I of this Form 10-Q, on February 11, 2019, the parties to the Florida Litigation entered into the Alico Settlement Agreement wherein the parties agreed to promptly dismiss all claims in the Florida Litigation, including those related to the termination proceedings against Mr. Trafelet, and Mr. Trafelet agreed to voluntarily resign as president and chief executive officer and a member of the Company’s Board of Directors, effective upon the execution of the Alico Settlement Agreement.

As contemplated by the Alico Settlement Agreement, on February 11, 2019, the Company entered into the Consulting Agreement with Mr. Trafelet and 3584, Inc. (the “Consultant”). Pursuant to the Consulting Agreement, Mr. Trafelet will make himself available to provide consulting services to the Company through the Consultant for up to 24 months. In exchange for the consulting services, the Consultant will receive an annual consulting fee of \$400,000. If the Company terminates the consulting period (other than in

certain specified circumstances), the Company will continue to pay the consulting fees described in the immediately preceding sentence through the balance of the 24-month term.

In addition, as contemplated by the Alico Settlement Agreement, the Company entered into the Registration Rights Agreement with Mr. Trafelet, relating to the Registrable Securities. The Registration Rights Agreement requires the Company to, among other things and subject to the terms and conditions thereof, use reasonable best efforts to file with the SEC a registration statement on Form S-3 covering the resale of the Registrable Securities.

#### *Management and Board Changes*

On April 11, 2019, the Board of Directors announced the appointment of Mr. John E. Kiernan as President and Chief Executive Officer and Mr. Richard Rallo as Chief Financial Officer, both effective July 1, 2019. Additionally, Mr. Benjamin D. Fishman, the Company's current Interim President, agreed to resign from this position effective July 1, 2019. In addition, on April 11, 2019, Mr. Henry A. Slack, the current Executive Chairman of the Board, informed the Board that he agreed to step down as Executive Chairman of the Board, effective July 1, 2019. Mr. Slack's decision to step down as Executive Chairman of the Board was not the result of any disagreement with the Company on any matter relating to the Company's operations, policies or practices. Mr. Slack will remain a member of the Board of Directors. The Board appointed Mr. Benjamin D. Fishman, the Company's current Interim President, to the role of Executive Chairman of the Board, effective July 1, 2019.

#### *Appointment of new member of the Board of Directors*

On April 29, 2019, the Board of Directors appointed Mr. Toby K. Purse as a member of the Board of Directors, to serve until the 2020 annual meeting of the Company's shareholders or until his earlier death, resignation, or removal in accordance with the Amended and Restated Bylaws of the Company. The Board of Directors has affirmatively determined that Mr. Purse qualifies as an independent director under the rules of the Nasdaq Stock Exchange and as defined under applicable law. Mr. Purse has also been appointed to serve as a member of the audit committee of the Board of Directors.

#### *Federal Relief Program*

On August 1, 2019, the Company received \$5,775,000 under the Florida Citrus Recovery Block Grant ("CRBG") relating to Hurricane Irma. This represents the Part 1 of reimbursement under a three part program. The timing and amount to be received under Part 2 and Part 3 of the program, if any, has not been finalized.

## Condensed Consolidated Results of Operations

The following discussion provides an analysis of Alico's results of operations and should be read in conjunction with the accompanying Condensed Consolidated Statements of Operations for the three and nine months ended June 30, 2019 and 2018:

(in thousands)

	Three Months Ended				Nine Months Ended			
	June 30,		Change		June 30,		Change	
	2019	2018	\$	%	2019	2018	\$	%
<b>Operating revenues:</b>								
Alico Citrus	\$ 56,819	\$ 25,711	\$ 31,108	121.0 %	\$ 118,539	\$ 77,499	\$ 41,040	53.0%
Water Resources and Other Operations	746	806	(60)	(7.4)%	2,326	2,151	175	8.1%
Total operating revenues	57,565	26,517	31,048	117.1 %	120,865	79,650	41,215	51.7%
<b>Gross profit:</b>								
Alico Citrus	25,678	12,014	13,664	113.7 %	44,942	21,397	23,545	110.0%
Water Resources and Other Operations	326	(100)	426	NM	558	(1,068)	1,626	NM
Total gross profit	26,004	11,914	14,090	118.3 %	45,500	20,329	25,171	123.8%
General and administrative expenses	2,682	2,955	(273)	(9.2)%	10,786	9,914	872	8.8%
Income from operations	23,322	8,959	14,363	160.3 %	34,714	10,415	24,299	233.3%
Total other (expense), income	(1,623)	5,074	(6,697)	(132.0)%	(6,459)	2,559	(9,018)	NM
Income before income taxes	21,699	14,033	7,666	54.6 %	28,255	12,974	15,281	117.8%
Income tax provision	5,483	4,941	542	11.0 %	7,082	674	6,408	NM
Net income	16,216	9,092	7,124	78.4 %	21,173	12,300	8,873	72.1%
Net loss attributable to noncontrolling interests	28	8	20	NM	151	32	119	NM
<b>Net income attributable to Alico, Inc. common stockholders</b>	<b>\$ 16,244</b>	<b>\$ 9,100</b>	<b>\$ 7,144</b>	<b>78.5 %</b>	<b>\$ 21,324</b>	<b>\$ 12,332</b>	<b>\$ 8,992</b>	<b>72.9%</b>

NM - Not meaningful

The following discussion provides an analysis of the Company's business segments:

*Alico Citrus*

The table below presents key operating measures for the three and nine months ended June 30, 2019 and 2018:

(in thousands, except per box and per pound solids data)

	Three Months Ended				Nine Months Ended			
	June 30,		Change		June 30,		Change	
	2019	2018	Unit	%	2019	2018	Unit	%
<b>Operating Revenues:</b>								
Early and Mid-Season	\$ —	\$ 53	\$ (53)	(100.0)%	\$ 39,574	\$ 24,309	\$ 15,265	62.8 %
Valencias	54,734	24,257	30,477	125.6 %	73,480	48,855	24,625	50.4 %
Fresh Fruit	1,052	540	512	94.8 %	3,629	2,046	1,583	77.4 %
Purchase and Resale of Fruit	697	310	387	124.8 %	943	809	134	16.6 %
Other	336	551	(215)	(39.0)%	913	1,480	(567)	(38.3)%
Total	\$ 56,819	\$ 25,711	\$ 31,108	121.0 %	\$ 118,539	\$ 77,499	\$ 41,040	53.0 %
<b>Boxes Harvested:</b>								
Early and Mid-Season	—	—	—	NM	3,114	1,811	1,303	71.9 %
Valencias	3,492	1,421	2,071	145.7 %	4,790	2,891	1,899	65.7 %
Total Processed	3,492	1,421	2,071	145.7 %	7,904	4,702	3,202	68.1 %
Fresh Fruit	74	27	47	174.1 %	210	124	86	69.4 %
Total	3,566	1,448	2,118	146.3 %	8,114	4,826	3,288	68.1 %
<b>Pound Solids Produced:</b>								
Early and Mid-Season	—	—	—	NM	16,873	9,194	7,679	83.5 %
Valencias	22,023	8,668	13,355	154.1 %	29,854	17,319	12,535	72.4 %
Total	22,023	8,668	13,355	154.1 %	46,727	26,513	20,214	76.2 %
<b>Pound Solids per Box:</b>								
Early and Mid-Season	—	—	—	NM	5.42	5.07	0.35	6.9 %
Valencias	6.31	6.10	0.21	3.4 %	6.23	5.99	0.24	4.0 %
<b>Price per Pound Solids:</b>								
Early and Mid-Season	\$ —	\$ —	\$ —	NM	\$ 2.35	\$ 2.64	\$ (0.29)	(11.0)%
Valencias	\$ 2.49	\$ 2.80	\$ (0.31)	(11.1)%	\$ 2.46	\$ 2.82	\$ (0.36)	(12.8)%
<b>Price per Box:</b>								
Fresh Fruit	\$ 14.24	\$ 19.85	\$ (5.61)	(28.3)%	\$ 17.26	\$ 16.47	\$ 0.79	4.8 %
<b>Operating Expenses:</b>								
Cost of Sales	\$ 20,876	\$ 13,882	\$ 6,994	50.4 %	\$ 50,670	\$ 45,823	\$ 4,847	10.6 %
Harvesting and Hauling	9,966	3,725	6,241	167.5 %	22,114	12,933	9,181	71.0 %
Purchase and Resale of Fruit	491	193	298	154.4 %	659	562	97	17.3 %
Other	(192)	(4,103)	3,911	NM	154	(3,216)	3,370	NM
Total	\$ 31,141	\$ 13,697	\$ 17,444	127.4 %	\$ 73,597	\$ 56,102	\$ 17,495	31.2 %

NM - Not meaningful

Alico primarily sells its Early and Mid-Season and Valencia oranges to processors, who convert the majority of the citrus crop into orange juice. The processors generally buy citrus on a pound solids basis, which is the measure of the soluble solids (sugars and acids) contained in one box of fruit. Fresh fruit is generally sold to packing houses, which purchase citrus on a per box basis. Purchase and resale of fruit relates to the buying of fruit from third parties, and generally reselling this fruit to processors. These revenues and costs vary based on the number of boxes bought and sold. Other revenues consist primarily of third-party grove caretaking.

The Company's operating expenses consist primarily of cost of sales and harvesting and hauling costs. Cost of sales represents the cost of maintaining Alico's citrus groves for the preceding calendar year and does not vary in relation to production. Harvesting and hauling costs represent the costs of bringing citrus product to processors and varies based upon the number of boxes produced. Other expenses include the period costs of third-party grove caretaking and the contracting for harvesting and hauling activities.

The increase in revenues for the three months ended June 30, 2019, as compared to the three months ended June 30, 2018, was primarily due to the timing of when the Valencia fruit was harvested and the impact of Hurricane Irma. As a result of Hurricane Irma, the Company commenced and completed harvesting its Valencia fruit in fiscal year 2018 earlier than in the current fiscal year. Accordingly, the Company harvested a substantially greater number of processed boxes in the three month period ended June 30, 2019 as compared to the same period in 2018. In addition to the timing, the Company harvested in fiscal year 2019 more processed boxes overall for the Valencia fruit than it harvested in fiscal year 2018 due to the fruit drop caused by Hurricane Irma in fiscal year 2018. For the three months ended June 30, 2019, the Company had 6.31 pound solids per box, compared to 6.10 pounds per solid box for the three month period ended June 30, 2018.

The increase in revenues for the nine months ended June 30, 2019, compared to the nine months ended June 30, 2018, was directly related to the negative impact of Hurricane Irma on the prior fiscal year harvest. As a result of Hurricane Irma, the Company experienced a greater amount of fruit drop and consequently harvested a smaller number of boxes in fiscal year 2018. As such, the Company harvested 68% more processed boxes in the nine months ended June 30, 2019, than in the comparable period in the previous fiscal year. The Company also saw an overall increase in pound solids per box in the nine months ended June 30, 2019, which was 5.91 as compared to 5.64 for the nine months ended June 30, 2018. In addition, the increase in revenue to a smaller extent was due to greater number of boxes of fresh fruit being sold for the nine month period ended June 30, 2019.

The USDA, in its July 11, 2019 Citrus Crop Forecast for the 2018-19 harvest season, indicated that the Florida orange crop increased from approximately 45,000,000 boxes for the 2017-18 crop year to approximately 71,600,000 boxes for the 2018-19 crop year, an increase of approximately 59.0%. The significant increase is the result of 2017-18 harvest season being impacted by Hurricane Irma and the related fruit loss experienced.

The Company originally estimated its fiscal year 2019 processed boxes would increase by approximately 31-37% compared to processed boxes for fiscal year 2018. Based on the harvesting of fruit through the third quarter of fiscal year 2019, the Company increased production for fiscal year 2019 by approximately 68% compared to processed boxes for fiscal year 2018. The improvement is the result of both the Early & Mid-season and Valencia variety fruit experiencing less fruit drop than was anticipated upon making the estimate in production.

The increase in operating expenses for the three and nine months ended June 30, 2019, compared to the three and nine months ended June 30, 2018, was primarily the result of increased harvesting and hauling costs which is the direct result of increased citrus processed box production and the Company receiving a greater amount of insurance proceeds, which was recorded as a reduction to operating expense, during the three and nine months ended June 30, 2018.

In November 2017, the Company announced Alico 2.0. This initiative explored every aspect of Alico's citrus and ranch operations, including corporate and operational cost structures, grove costs, purchasing and procurement, non-performing and under-performing assets, professional fees, and human resources efficiency. As part of Alico 2.0, Alico has divested itself from several under-performing assets and Alico Citrus is reducing expenses through better purchasing, more precise application of selected fertilizers and chemicals, by outsourcing work such as harvesting, hauling, and certain caretaking tasks, and by streamlining grove management. Alico Citrus has also deployed a more efficient labor model that is consistent and uniform for field staffing and grove operating programs and aligns with the geographical footprint of the citrus groves.

As part of the announcement of Alico 2.0, the Company provided guidance, which described expected improvements once citrus production returned to the pre-hurricane levels of approximately 7.9 million boxes, annually, along with certain cost reductions. Today, the Company continues to believe this production level and cost savings opportunity are potentially achievable; however, there can be no assurance that the anticipated cost savings will be realized under Alico 2.0 or that the 2019 production level can be maintained.

### Water Resources and Other Operations

The table below presents key operating measures for the three and nine months ended June 30, 2019 and 2018:

(in thousands)

	Three Months Ended				Nine Months Ended				
	June 30,		Change		June 30,		Change		
	2019	2018	\$	%	2019	2018	\$	%	
<b>Revenue From:</b>									
Land and other leasing	\$ 706	\$ 693	\$ 13	1.9 %	\$ 2,098	\$ 1,780	\$ 318	17.9 %	
Sale of calves and culls	—	—	—	NM	—	57	(57)	(100.0)%	
Other	40	113	(73)	(64.6)%	228	314	(86)	(27.4)%	
Total	\$ 746	\$ 806	\$ (60)	(7.4)%	\$ 2,326	\$ 2,151	\$ 175	8.1 %	
<b>Operating Expenses:</b>									
Land and other leasing	\$ 217	\$ 155	\$ 62	40.0 %	\$ 769	\$ 563	\$ 206	36.6 %	
Cost of calves sold	—	—	—	NM	—	1,015	(1,015)	(100.0)%	
Water conservation	202	496	(294)	(59.3)%	985	1,263	(278)	(22.0)%	
Other	1	255	(254)	(99.6)%	14	378	(364)	(96.3)%	
Total	\$ 420	\$ 906	\$ (486)	(53.6)%	\$ 1,768	\$ 3,219	\$ (1,451)	(45.1)%	

NM - Not meaningful

Land and other leasing includes lease income from a lease for grazing rights, hunting leases, a lease to a third party of an aggregate mine and leases of oil extraction rights to third parties, and farm lease revenue.

The increase in revenues from Water Resources and Other Operations for the nine months ended June 30, 2019 is primarily due to the Company entering into a long-term leasing arrangement, upon selling Alico's cattle herd in late January 2018, with the purchaser of grazing rights on the ranch providing an annual revenue stream of approximately \$1,200,000. The Company continues to own the property and conduct its long-term water dispersment program and wildlife management programs.

The decrease in operating expenses for the three and nine months ended June 30, 2019 is primarily due to the company selling its cattle herd in late January 2018 resulting in the Company no longer incurring expenses relating to calves and culls.

#### Water storage and conservation

In December 2012, the South Florida Water Management District ("SFWMD") issued a solicitation request for projects to be considered for the Northern Everglades Payment for Environmental Services Program. In March 2013, the Company submitted its response proposing a dispersed water management project on a portion of its ranch land to reduce harmful discharges to the Caloosahatchee Estuary.

On December 11, 2014, the SFWMD approved a contract with the Company. The contract term is eleven years and allows up to one year for implementation (design, permitting, construction and construction completion certification) and ten years of operation, whereby the Company will provide water retention services. Payment includes an amount not to exceed \$4,000,000 of reimbursement for implementation. In addition, it provides for an annual fixed payment of \$12,000,000 for operations and maintenance costs, as long as the project is in compliance with the contract and subject to annual District Board approval of funding. The contract specifies that the District Board has to approve the payments annually and there can be no assurance that it will approve the annual fixed payments. On September 19, 2018, the SFWMD issued a press release announcing the issuance of an Environmental Resource Permit for Alico. The SFWMD release also stated that (i) the issuance of the permit cleared the path for Alico to deliver a regional dispersed water storage project in the Caloosahatchee Watershed that has the opportunity to significantly reduce excessive Lake Okeechobee releases and storm water runoff to the Caloosahatchee Estuary, (ii) Alico has all necessary state approvals to proceed, and (iii) the project is expected to be operational within one year from the start of construction, which is contingent on Alico securing additional local and federal approvals. These approvals include a compatible use agreement from the Natural Resources Conservation Service, as well as approvals from the local water control districts. The approved Florida budget for the state's 2019/2020 fiscal year included funding for the Program. Operating expenses were approximately \$202,000 and \$496,000 for the three months ended June 30, 2019 and 2018, respectively, and were approximately \$985,000 and \$1,263,000 for the nine months ended June 30, 2019 and 2018, respectively.

### **General and Administrative**

General and administrative expenses for the three months ended June 30, 2019 totaled approximately \$2,682,000 compared to approximately \$2,955,000 for the three months ended June 30, 2018. The decrease was primarily due to a reduction in payroll and stock compensation expense of approximately \$247,000 relating to the resignation of the former CEO on February 11, 2019 and a reduction in rent expense of approximately \$150,000 as a result of the Company not renewing its lease for office space in New York City. Partially offsetting this decrease was an increase in professional fees primarily relating to SEC and other corporate matters.

General and administrative expenses for the nine months ended June 30, 2019 totaled approximately \$10,786,000, compared to approximately \$9,914,000 for the nine months ended June 30, 2018. The increase was primarily due to an increase in professional fees of \$2,300,000 during the nine months ended June 30, 2019 relating to a corporate litigation matter. This litigation has been resolved with a settlement being reached on February 11, 2019. The Company does not anticipate further professional fees relating to this litigation. Additionally, as part of this settlement, the Company recorded consulting and separation fees of \$800,000 during the nine months ended June 30, 2019. These increases were partially offset by an adjustment to stock compensation expense, reduction in rent and a decrease in payroll expenses. The Company recorded a reduction in stock compensation expense of \$823,000 as a result of a former senior executive forfeiting his stock options as part of the settled litigation. Rent expense was reduced by approximately \$300,000 as a result of the Company not renewing its lease for office space in New York City. The reduction in payroll costs of approximately \$879,000 was primarily from (i) a reduction in separation expenses of approximately \$388,000; (ii) a reduction in accrual for paid time off of approximately \$280,000; and (iii) a reduction in personnel and overtime costs of approximately \$211,000.

### **Other (Expense), Income**

Other (expense), income, for the three months ended June 30, 2019 and 2018 was approximately \$(1,623,000) and \$5,074,000, respectively. The shift from other income to other (expense), is primarily due to the Company recording gains on sale of real estate, property and equipment and assets held for sale of approximately \$7,248,000 during the three months ended June 30, 2018. No significant gain on the sale of assets was recorded for the three months ended June 30, 2019.

Other (expense), income, for the nine months ended June 30, 2019 and 2018 was approximately \$(6,459,000) and approximately \$2,559,000, respectively. The shift from other income to other (expense) is primarily due to the Company recording gains on sale of real estate, property and equipment and assets held for sale of approximately \$9,083,000 during the nine months ended June 30, 2018. No significant gain on the sale of assets was recorded for the nine months ended June 30, 2019. Additionally, during the nine months ended June 30, 2019, the Company recorded an expense of \$989,000 relating to the change in fair value of the derivative asset and derivative liabilities (see "Note 7. Derivative Gain on Sale").

### **Income Taxes**

The provision for income tax was approximately \$5,483,000 and \$4,941,000 for the three months ended June 30, 2019 and 2018, respectively, and approximately \$7,082,000 and \$674,000 for the nine months ended June 30, 2019 and 2018, respectively. The increase in the tax provision for the three and nine months ended June 30, 2019 is the result of the Company generating greater net income during these periods as compared to the same periods in the prior year. The tax provision for the nine months ended June 30, 2018 was impacted by approximately \$10,000,000 attributable to a non-cash tax benefit recorded to remeasure the Company's net deferred tax liabilities to the 21% corporate tax rate that was enacted December 22, 2017. Additionally, during the three months and nine months ended June 30, 2018, the Company recorded a valuation allowance on its capital loss carryforward of approximately \$6,100,000, resulting in an additional income tax expense.

### **Seasonality**

The Company is primarily engaged in the production of fruit for sale to citrus markets, which is of a seasonal nature, and subject to the influence of natural phenomena and wide price fluctuations. Historically, the second and third quarters of Alico's fiscal year produce the majority of the Company's annual revenue. Working capital requirements are typically greater in the first and fourth quarters of the fiscal year, coinciding with harvesting cycles. Because of the seasonality of the business, results for any quarter are not necessarily indicative of the results that may be achieved for the full fiscal year.

## Liquidity and Capital Resources

A comparative balance sheet summary is presented in the following table:

(in thousands)

	June 30, 2019	September 30, 2018	Change
Cash and cash equivalents and restricted cash	\$ 10,525	\$ 32,260	\$ (21,735)
Total current assets	\$ 44,117	\$ 71,061	\$ (26,944)
Total current liabilities	\$ 23,353	\$ 21,498	\$ 1,855
Working capital	\$ 20,764	\$ 49,563	\$ (28,799)
Total assets	\$ 399,519	\$ 423,422	\$ (23,903)
Principal amount of term loans and lines of credit	\$ 166,180	\$ 177,034	\$ (10,854)
Current ratio	1.89 to 1	3.31 to 1	

Management believes that a combination of cash-on-hand, cash generated from operations, assets sales and availability under the Company's lines of credit will provide sufficient liquidity to service the principal and interest payments on its indebtedness, and will satisfy working capital requirements and capital expenditures for at least the next twelve months and over the long term. Alico has a \$70,000,000 working capital line of credit, of which approximately \$69,540,000 is available for general use as of June 30, 2019, and a \$25,000,000 revolving line of credit, all of which is available for general use as of June 30, 2019 (see Note 5. "Long-Term Debt and Lines of Credit" to the accompanying Condensed Consolidated Financial Statements). If the Company pursues significant growth and other corporate opportunities, it could have a material adverse impact on its cash balances, and may need to finance such activities by drawing down monies under its lines of credit or by obtaining additional debt or equity financing. There can be no assurance that additional financing will be available to the Company when needed or, if available, that it can be obtained on commercially reasonable terms. Any inability to obtain additional financing could impact Alico's ability to pursue different growth and other corporate opportunities.

The level of debt could have important consequences on Alico's business, including, but not limited to, increasing its vulnerability to general adverse economic and industry conditions, limiting the availability of cash flow to fund future investments, capital expenditures, working capital, business activities and other general corporate requirements, and limiting flexibility in planning for, or reacting to, changes in its business and industry.

### Net Cash Provided By Operating Activities

The following table details the items contributing to Net Cash Provided By Operating Activities for the nine months ended June 30, 2019 and 2018:

(in thousands)

	Nine Months Ended June 30,		Change
	2019	2018	
Net income	\$ 21,173	\$ 12,300	\$ 8,873
Deferred gain on sale of sugarcane land	—	(767)	767
Depreciation, depletion and amortization	10,441	10,327	114
Deferred income tax provision	454	649	(195)
Gain on sale of real estate, property and equipment and assets held for sale	(137)	(8,315)	8,178
Change in fair value of derivatives	989	—	989
Impairment of long-lived assets	244	1,855	(1,611)
Non-cash interest expense on deferred gain on sugarcane land	—	1,021	(1,021)
Stock-based compensation expense	537	1,337	(800)
Other	(160)	(285)	125
Change in working capital	8,145	(2,003)	10,148
Net cash provided by operating activities	<u>\$ 41,686</u>	<u>\$ 16,119</u>	<u>\$ 25,567</u>

The increase in net cash provided by operating activities for the nine months ended June 30, 2019 as compared to the nine months ended June 30, 2018 was primarily due to (i) an increase in net income which was primarily driven by increased citrus sales; (ii) a minimal gain recorded on sale of real estate, property and equipment and assets held for sale as a result of the Company selling less assets in the nine months ended June 30, 2019 and (iii) an increase in working capital which is largely due to an increase in inventory, an increase in income taxes payable as well as a decrease in accounts payable and accrued liabilities.

Due to the seasonal nature of Alico's business, working capital requirements are typically greater in the first and fourth quarters of its fiscal year. Cash flows from operating activities typically improve in the second and third fiscal quarters, as sales of its harvested citrus are made.

Net Cash (Used In) Provided By Investing Activities

The following table details the items contributing to Net Cash (Used In) Provided By Investing Activities for the nine months ended June 30, 2019 and 2018:

	<b>Nine Months Ended June 30,</b>		<b>Change</b>
	<b>2019</b>	<b>2018</b>	
<i>(in thousands)</i>			
Capital expenditures:			
Citrus trees	\$ (11,547)	\$ (10,092)	\$ (1,455)
Land	(561)	—	(561)
Breeding herd purchases	—	(317)	317
Equipment and other	(2,459)	(1,720)	(739)
Total	(14,567)	(12,129)	(2,438)
Net proceeds from sale of property and equipment and assets held for sale	419	31,671	(31,252)
Change in deposits on purchase of citrus trees	(256)	—	(256)
Notes receivables	56	(379)	435
Net cash (used in) provided by investing activities	<u>\$ (14,348)</u>	<u>\$ 19,163</u>	<u>\$ (33,511)</u>

The shift from net cash provided by investing activities for the nine months ended June 30, 2018 to net cash used in investing activities for the nine months ended June 30, 2019, was primarily due to approximately \$31,671,000 of proceeds received from the sale of certain assets during the nine months ended June 30, 2018. In comparison, only minimal proceeds from the sale of assets were received for the nine months ended June 30, 2019. Additionally, for the nine months ended June 30, 2019, the Company purchased citrus blocks for approximately \$1,950,000 from grove owners from within the Company's existing grove location.

### Net Cash Used In Financing Activities

The following table details the items contributing to Net Cash Used In Financing Activities for the nine months ended June 30, 2019 and 2018:

(in thousands)

	Nine Months Ended June 30,		Change
	2019	2018	
Repayments on revolving lines of credit	\$ (86,123)	\$ (21,424)	\$ (64,699)
Borrowings on revolving lines of credit	83,438	21,424	62,014
Principal payments on term loans	(8,169)	(9,421)	1,252
Treasury stock purchases	(25,576)	(2,215)	(23,361)
Payment on termination of Global Ag agreement	(11,300)	—	(11,300)
Dividends paid	(1,343)	(1,480)	137
Capital contribution received from noncontrolling interest	—	1,000	(1,000)
Capital lease obligation payments	—	(8)	8
Net cash used in financing activities	<u>\$ (49,073)</u>	<u>\$ (12,124)</u>	<u>\$ (36,949)</u>

The increase in net cash used in financing activities for the nine months ended June 30, 2019, as compared to the nine months ended June 30, 2018, was primarily due to the Company purchasing 752,234 common shares through a tender offer, for an aggregate amount of approximately \$25,576,000, and terminating its 2014 Post-Closing Agreement pursuant to which the Company paid \$11,300,000.

Alico had no amount outstanding on its revolving lines of credit as of June 30, 2019.

The WCLC agreement provides for Rabo to issue up to \$20,000,000 in letters of credit on the Company's behalf. As of June 30, 2019, there was approximately \$460,000 in outstanding letters of credit, which correspondingly slightly reduced Alico's availability under the line of credit.

### Purchase Commitments

The Company enters into contracts for the purchase of citrus trees during the normal course of its business. As of June 30, 2019, the Company had approximately \$2,421,000 relating to outstanding commitments for these purchases, which will be paid upon delivery.

### Contractual Obligations and Off Balance Sheet Arrangements

There have been no material changes during this reporting period to the disclosures set forth in Part II, Item 7 in Alico's Annual Report on Form 10-K for the fiscal year ended September 30, 2018.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk.**

There have been no material changes during this reporting period in the disclosures set forth in Part II, Item 7A in our Annual Report on Form 10-K for the fiscal year ended September 30, 2018, as filed with the SEC on December 6, 2018.

**Item 4. Controls and Procedures.**

(a) *Evaluation of Disclosure Controls and Procedures.*

Our Principal Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, (the "Exchange Act") as of the end of the period covered by this report. Based on this evaluation, our Principal Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective.

(b) *Changes in Internal Control over Financial Reporting.*

During the third fiscal quarter ended June 30, 2019, there were no changes in Alico's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## **PART II OTHER INFORMATION**

### **Item 1. Legal Proceedings.**

From time to time, Alico may be involved in litigation relating to claims arising out of its operations in the normal course of business. There are no current legal proceedings to which the Company is a party or of which any of its property is subject that it believes will have a material adverse effect on its financial condition, results of operations or cash flows.

### **Item 1A. Risk Factors.**

There have been no material changes in the risk factors set forth in Part 1, Item 1A, "Risk Factors" in Alico's Annual Report on Form 10-K for the fiscal year ended September 30, 2018, as filed with the SEC on December 6, 2018.

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

There were no sales of unregistered equity securities during the period.

In the fiscal year 2017, the Board of Directors authorized the repurchase of up to \$7,000,000 of the Company's common stock in two separate authorizations (the "2017 Authorization"). In March 2017, the Board of Directors authorized the repurchase of up to \$5,000,000 of the Company's common stock beginning March 9, 2017 and continuing through March 9, 2019. In May 2017, the Board of Directors authorized the repurchase of up to an additional \$2,000,000 of the Company's common stock beginning May 24, 2017 and continuing through May 24, 2019. The stock repurchases made under this repurchase were made through open market transactions at times and in such amounts as the Company's broker determined subject to the provisions of SEC Rule 10b-18.

For the three and nine months ended June 30, 2019, the Company did not purchase any shares under the 2017 Authorization.

### **Item 3. Defaults Upon Senior Securities.**

None.

### **Item 4. Mine Safety Disclosure.**

Not Applicable.

**Item 5. Other Information.****Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.**

On August 5, 2019, the Company's Board adopted an Amendment to the Company's Bylaws (the "Amendment"), as amended and restated (the "Bylaws"). The Amendment makes certain officer positions, namely the Chief Operating Officer and one or more Vice Presidents, discretionary rather than mandatory.

The foregoing description of the Amendment does not purport to be complete and is qualified in its entirety by reference to the complete text of the Bylaws, which are attached hereto as Exhibit 3.5 to this Form 10-Q and are incorporated herein by reference.

**Item 7.01 Regulation FD Disclosure.**

## Adoption of Committee Charters.

On August 5, 2019, the Company's Board adopted revised Charters for each of the Compensation Committee, the Executive Committee, and the Nominating & Governance Committee as contemplated by the applicable sections of the Nasdaq Marketplace Rules. Each of the Charter of the Compensation Committee, the Charter of the Executive Committee, the Charter of the Nominating & Governance Committee is posted under the "Investors" section of our website, <https://ir.alicoinc.com/>, and is attached hereto as Exhibits 99.1, 99.2, and 99.3, respectively. The information contained under this Adoption of Committee Charters heading, including the exhibits related thereto, is furnished in response to Item 7.01 of Form 8-K and shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933.

## Federal Relief Program.

On August 1, 2019, the Company received \$5,775,000 under the Florida Citrus Recovery Block Grant ("CRBG") relating to Hurricane Irma. This represents the Part 1 of reimbursement under a three part program. The timing and amount to be received under Part 2 and Part 3 of the program, if any, has not been finalized. The information contained under this Federal Relief Program heading is furnished in response to Item 7.01 of Form 8-K and shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933.

**Item 6. Exhibits.**

Exhibit  
Number

**Exhibit Index**

3.1		<a href="#">Restated Certificate of Incorporation, dated February 17, 1972 (incorporated by reference to Exhibit 3.1 of Alico's filing on Form 10-K dated December 11, 2017)</a>
3.2		<a href="#">Certificate of Amendment to Certificate of Incorporation, dated January 14, 1974 (incorporated by reference to Alico's Registration Statement on Form S-8, dated December 21, 2005, Registration No. 333-130575)</a>
3.3		<a href="#">Amendment to Articles of Incorporation, dated January 14, 1987 (incorporated by reference to Alico's Registration Statement on Form S-8, dated December 21, 2005, Registration No. 333-130575)</a>
3.4		<a href="#">Amendment to Articles of Incorporation, dated December 27, 1988 (incorporated by reference to Alico's Registration Statement on Form S-8, dated December 21, 2005, Registration No. 333-130575)</a>
3.5		<a href="#">By-Laws of Alico, Inc., amended and restated</a>
31.1		<a href="#">Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 Rule 13a-14(a) certification</a>
31.2		<a href="#">Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 Rule 13a-14(a) certification</a>
32.1		<a href="#">Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350</a>
32.2		<a href="#">Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350</a>
99.1		<a href="#">Charter of the Compensation Committee of the Board of Directors of Alico, Inc., as amended</a>
99.2		<a href="#">Charter of the Executive Committee of the Board of Directors of Alico, Inc., as amended</a>
99.3		<a href="#">Charter of the Nominating &amp; Governance Committee of the Board of Directors of Alico, Inc., as amended</a>
101		
101.INS	**	XBRL Instance Document
101.SCH	**	XBRL Taxonomy Extension Schema Document
101.CAL	**	XBRL Taxonomy Calculation Linkbase Document
101.DEF	**	XBRL Taxonomy Definition Linkbase Document
101.LAB		XBRL Taxonomy Label Linkbase Document
101.PRE		XBRL Taxonomy Extension Presentation Linkbase Document

\*\* In accordance with Rule 406T of Regulation S-T, these XBRL (eXtensible Business Reporting Language) documents are furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability under these sections.



**AMENDED AND RESTATED BYLAWS  
OF  
ALICO, INC.**

**ARTICLE I.**

Principal Office. The principal office of the Company shall be at 10070 Daniels Interstate Court, Suite 100, Ft. Myers, FL, or such other place in the state of Florida, as the Board of Directors shall from time to time deem advisable and in the best interest of the Company.

**ARTICLE II.**

Place, Time and Notice of Stockholders Meetings. The annual meeting of the stockholders shall be held at the principal office of the Company or at such other place, either within or without the state of Florida, as may be provided in the notice of the meeting, at a time and place as may be ordered by the Board of Directors. Special meetings of the stockholders may be held at any time, either within or without the State of Florida, as provided in the notice of the meeting, and may be called by the Chairman of the Board, President, the Board of Directors, or the holders of not less than one-tenth of the capital stock entitled to vote at the meeting, subject to compliance with the requirements of Article XVII hereof. Notice of time and place of any meeting of stockholders shall be given as required under the laws of the state of Florida. Any stockholder may waive notice of any meeting either before, at or after the meeting. The terms “stockholders” and “shareholders” are used interchangeably in the Bylaws and shall be deemed to refer to “shareholders” within the meaning of the Florida Business Corporation Act.

**ARTICLE III.**

Quorum of and Voting by Stockholders. At any meeting of the stockholders, a majority in interest of all the capital stock issued and outstanding and entitled to vote, represented by stockholders of record either in person or by proxy, shall constitute a quorum, but a lesser interest may adjourn a meeting from time to time and the meeting may be held as adjourned without further notice. When a quorum is present at any meeting, a majority in interest of the capital stock represented thereat shall decide any question brought before such meeting, unless the question be one which by express provision of law, or of these Bylaws, a larger or different vote is required, in which case such express provision shall govern.

**ARTICLE IV.**

Proxies. Every holder of the capital stock of the Company shall be entitled to one vote for each share of capital stock standing in his/her name on the books of the Company as provided

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under the laws of the state of Florida. A stockholder may vote either in person or by proxy executed in writing and filed with the Secretary before the meeting at which such proxy shall be voted. A proxy shall entitle the holder thereof to vote at any adjournment of such meeting, but shall not be valid after the final adjournment thereof. In order for a proxy to be counted as valid the stockholder shall provide such reasonable proof of ownership as the Inspector of Elections shall deem reasonably appropriate in the circumstances.

#### **ARTICLE V.**

Number, Election and Duties of Directors; Vacancies in Board. The management of the business and affairs of the Company shall be vested in a Board of Directors ranging from seven (7) to eleven (11) directors, which shall have all of the powers possessed by the Company itself, so far as this designation of authority is not inconsistent with the laws of the state of Florida, the Articles of Incorporation, or some other express provision of these Bylaws. The number of Directors may be increased or decreased from time to time by amendment of the Bylaws consistent with the limitations provided in the Articles of Incorporation, but no decrease shall have the effect of shortening the term of any incumbent director.

At each annual meeting of the stockholders, the stockholders shall elect Directors to hold office until the next succeeding annual meeting or until their respective successors shall be elected and qualified. The Board of Directors shall designate and appoint one of its members as Chairman of the Board, and may but shall not be required to designate one of its members as Vice Chairman of the Board who shall act as Chairman in the absence of the Chairman. The stockholders, at any special meeting, may remove from office any Director of the Company and may fill the vacancy caused by such removal.

Any vacancy occurring in the Board of Directors because of death, resignation, removal, increase in the number of directors, or otherwise, may be filled by the affirmative vote of a majority of the remaining Directors though less than a quorum of the Board of Directors. Any Director elected to fill a vacancy shall be elected for the unexpired term of his/her predecessor in office.

#### **ARTICLE VI.**

Directors' Meetings. Meetings of the Board of Directors, regular or special, may be held either within or without the state of Florida.

The Board of Directors shall meet each year immediately after the annual meeting of the stockholders for the purpose of organization, election of officers, and the consideration of any other business that may properly be brought before the meeting. No notice of any kind to either old or new members of the Board of Directors for such annual meeting shall be necessary.

Other meetings of the Board of Directors may be held at any time or place upon notice thereof being given in writing to each Director at his/her residence or place of business upon the call by the Chairman, the Chief Executive Officer, or two or more Directors.

Notice of any such other meeting of the Board of Directors may be waived in writing signed by the person or persons entitled to such notice, whether before or after the time of such meeting, and shall be equivalent to the giving of such notice. Attendance of a Director at such other

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meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business, because such meeting is not lawfully convened.

Any action of the Board of Directors which is required or permitted to be taken at a meeting may be taken without a meeting if written consent to the action signed by all members of the Board is filed in the minutes of the proceedings of the Board prior to the taking of such action.

Chairman of the Board. The directors may elect one of their members to be Chairman of the Board of Directors. The Chairman of the Board shall preside at all meetings of the Board of Directors if present. The Chairman of the Board shall perform such duties as from time to time may be assigned to him by the Board of Directors. The Chairman of the Board shall preside at all meetings of the stockholders.

#### ARTICLE VII.

Quorum of Board of Directors. A majority of the Board of Directors shall constitute a quorum for the transaction of business, but a lesser number may adjourn any meeting from time to time, and the meeting may be held so adjourned without further notice. The act of a majority of the Directors present at a meeting, at which a quorum is present, shall be the act of the Board of Directors, except as otherwise provided by law or by these Bylaws.

#### ARTICLE VIII.

Designation of Committees. The Board of Directors may, by resolution adopted by a majority of the Board, designate one or more committees and appoint Board members to serve on such committees pursuant to Section 607.0825, Florida Statutes, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors or the Charter of said committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business, property, and affairs of the Corporation except as set forth in Section 607.0825 of the Florida Statutes. The Board of Directors shall approve a Charter for each of its committees. Such charter may include the duration and authority of the committee. Each committee which has been established by the Board of Directors pursuant to these Bylaws may fix its own rules and procedures; provided that a majority of all the members of a committee shall constitute a quorum for the transaction of business, and the vote of a majority of all the members of a committee present at a meeting at which a quorum is present shall be the act of the committee. Notice of meetings of committees, other than of regular meetings provided for by committee rules, shall be given to committee members. All action taken by committees shall be recorded in minutes of the meetings.

Committees. The Company shall have an Audit Committee, a Compensation Committee and a Nominating and Governance Committee, each to be governed by the charters adopted by the

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Board of Directors. If the name of any committee is changed without modifying in any material respect such committee's purpose, authority, responsibilities, or similar matters, then these Bylaws need not be formally amended to reflect the name change. If the Board deems it appropriate, the Board may designate additional Committees of limited duration for any special purpose which the Board deems appropriate and these Bylaws need not be amended in such event.

#### **ARTICLE IX.**

Officers: How Appointed, Vacancies. The officers of the Company shall be a Chief Executive Officer and/or President, a Chief Financial Officer, a Controller, a Secretary, a Treasurer, and such other officers, assistant officers and agents as may be deemed necessary by the Board of Directors from time to time, including a Chief Operating Officer and one or more Vice Presidents.

Any person may hold two or more offices except that the President may not also be the Secretary or an Assistant Secretary.

All officers shall be chosen annually by the Board of Directors at its annual meeting, or as soon thereafter as may conveniently be possible.

Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Company will be served thereby.

Any vacancy in any office because of death, resignation, removal, or otherwise, shall be filled by the Board of Directors, and the officer so elected or appointed shall hold office until his/her successor is chosen and qualified.

#### **ARTICLE X.**

Chief Executive Officer. Subject to the control of the Board of Directors, the Chief Executive Officer shall in general supervise and control all of the business and affairs of the corporation and shall be the principal executive officer of the Corporation. The Chief Executive Officer shall have the general powers and duties of management usually vested in the office of the Chief Executive Officer of a corporation, and shall have such other powers and duties as may be prescribed by the Board of Directors or the Bylaws. Subject to such rules as may be prescribed by the Board of Directors, the Chief Executive Officer shall have the authority to (i) appoint and remove such agents and employees of the Corporation as he shall deem necessary, to prescribe their powers, duties and compensation, and to delegate authority to them, (ii) sign, execute and acknowledge, on behalf of the Corporation, all deeds, mortgages, securities, contracts, leases, reports, and all other documents or other instruments necessary or proper to be executed in the course of the Corporation's regular business, or which shall be authorized by resolution of the Board of Directors, and (iii) except as otherwise provided by law or the Board of Directors, authorize any other officer or agent of the Corporation to sign, execute and acknowledge such documents or instruments in his place and stead.

President. If there be such an officer, in the absence or disability of the Chief Executive Officer, the President shall perform all the duties of the Chief Executive Officer, and when so

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acting shall have all of the powers of, and be subject to all the restrictions upon, the Chief Executive Officer. The President shall have such other powers and perform such other duties as from time to time may be prescribed by the Board of Directors or the Bylaws or the Chief Executive Officer.

Chief Operating Officer. If there be such an officer, subject to the control of the Board of Directors and the Chief Executive Officer, the Chief Operating Officer shall in general perform all of the duties incident to the office of Chief Operating Officer and have such other duties and exercise such other authority as from time to time may be delegated or assigned to him by the Chief Executive Officer or by the Board of Directors. The Chief Operating Officer shall have authority to sign, execute and acknowledge, on behalf of the corporation, all deeds, mortgages, contracts, leases, reports, and all other documents or other instruments necessary or proper to be executed in the course of the Corporation's regular business, or which shall be authorized by the Chief Executive Officer or by resolution of the Board of Directors.

Chief Financial Officer. Subject to the control of the Board of Directors and the Chief Executive Officer, the Chief Financial Officer shall in general perform all of the duties incident to the office of Chief Financial Officer and have such other duties and exercise such other authority as from time to time may be delegated or assigned to him by the Chief Executive Officer or by the Board of Directors. The Chief Financial Officer shall have authority to sign, execute and acknowledge, on behalf of the corporation, all deeds, mortgages, contracts, leases, reports, and all other documents or other instruments necessary or proper to be executed in the course of the Corporation's regular business, or which shall be authorized by the Chief Executive Officer or by resolution of the Board of Directors.

Vice Presidents. Each Vice President shall have such powers and perform such duties as the Board of Directors may from time to time prescribe or as the Chief Executive Officer or President may from time to time delegate to him/her.

Secretary. The Secretary shall keep accurate minutes of the meetings of the stockholders and of the Board of Directors, shall see that all notices are duly given in accordance with the provisions of these Bylaws and as required by law; shall be custodian of the records and of the seal of the Company and see that the seal is affixed to all documents the execution of which on behalf of the Company under its seal is duly authorized in accordance with the provisions of these Bylaws; and in general shall perform all duties incident to the office of Secretary and such other duties as may from time to time be assigned to him/her by the Board of Directors or the President.

Treasurer. The Treasurer shall have custody of all of the monies of the Company and shall keep accurate records and accounts thereof which shall be subject to the inspection and control of the Board of Directors at all times. He/she shall, in general, perform all the duties incident to his/her office and such other duties as may from time to time be assigned to him/her by the Board of Directors, Chief Executive Officer, the President, or the Chief Financial Officer. The Treasurer shall if required so to do by the Board of Directors give the Company a bond in such amount and with such surety or sureties as may be ordered by the Board of Directors for faithful performance of the duties of his/her office.

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Controller. The Controller shall be the accounting officer of the Company and shall keep accurate books and records of accounts to show all of the Company's transactions. He/she shall perform all other duties incident to his/her office and such other duties as may from time to time be assigned to him/her by the Board of Directors or by the President.

#### **ARTICLE XI.**

##### Issuance of Stock.

A. Stock certificates shall be in a form not inconsistent with the Articles of Incorporation and as shall be approved by the Board of Directors. All certificates shall be consecutively numbered and shall show the name of the person owning the share or shares, the number of shares owned and the date of the issuance thereof, and shall be signed by the Chairman or President and be attested by the Secretary or an Assistant Secretary with the corporate seal affixed thereto. Where any such certificate is signed by a transfer agent or an assistant transfer agent, other than the Company itself, or by a transfer clerk acting on behalf of the Company and a registrar, the signature of any officer herein named may be facsimile. In case any officer who has signed or whose facsimile signature has been placed upon such certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the Company with the same effect as if he/she were such officer at the date of its issue.

B. Book-entry System for Share Ownership. Notwithstanding the foregoing, the company may issue shares of stock in the form of uncertificated shares. Such uncertificated shares of stock shall be credited to a book entry account maintained by the Corporation (or its designee) on behalf of the shareholder.

C. Direct Registration Program. Notwithstanding the foregoing, the shares of stock of the company shall be eligible for a Direct Registration Program operated by a clearing agency registered under Section 17A of the Securities Exchange Act of 1934, as amended.

#### **ARTICLE XII.**

Transfer of Stock. The shares of stock shall be transferred as provided by the laws of the state of Florida. No transfer shall affect the right of the Company to pay any dividend due upon the stock or to treat the holder of record as the holder in fact until such transfer is recorded on the books of the Company or a new certificate is issued to the person to whom it has been so transferred. It shall be the duty of every stockholder to notify the Company of his/her post office address.

#### **ARTICLE XIII.**

Deeds, Mortgages, Contracts, Etc. Subject always to specific directions of the Board of Directors, all deeds, mortgages, bonds, promissory notes, leases and other written contracts and agreements to which the Company is a party shall be executed in its name by an Officer of the Company and attested by the Secretary or an Assistant Secretary, and the Secretary or Assistant Secretary, when necessary or required, shall affix the corporate seal thereto.

#### **ARTICLE XIV.**

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Indemnification of Directors and Officers. The Company shall indemnify each Director and Officer against expenses, costs and liabilities actually and necessarily incurred or paid by him/her in connection with the defense of any action, suit or proceeding in which he/she is made a party by reason of his/her being or having been a Director or Officer of the Company except in relation to matters as to which he/she shall be adjudged in such action, suit or proceeding to be liable for negligence or misconduct in the performance of his/her duties as such Director or Officer, and such right of indemnification hereby conferred shall not be deemed exclusive of any other rights to which he/she may be entitled under any Bylaw, agreement, vote of stockholders or otherwise.

#### **ARTICLE XV.**

Amendments. These Bylaws may be amended, added to, altered or repealed at any meeting of the Board of Directors by the affirmative vote of a majority of the entire Board of Directors provided that notice is given in the call of said meeting that an amendment, addition, alteration or repeal is to be acted upon.

The stockholders of the Company at any annual or special meeting may also, by the affirmative vote of a majority in interest of the capital stock issued and outstanding and entitled to vote, amend, add to or repeal these Bylaws, provided that notice is given in the call of said meeting that an amendment, addition, alteration or repeal is to be acted upon. The Board of Directors may not amend, alter or repeal any Bylaw adopted by the stockholders.

#### **ARTICLE XVI.**

Control-Share Acquisitions. The corporation exercises its right, pursuant to Section 607.0902(5) of the Florida Business Corporation Act, or any successor thereto, to avoid the provisions pertaining to control-share acquisitions contained in Section 607.0902 of the Florida Business Corporation Act, or any successor thereto.

#### **ARTICLE XVII**

##### **Advance Notice of Business to be Brought Before a Meeting**

##### **Section 17.1 Notice of Business to be Brought Before an Annual Meeting.**

(a) At an annual meeting of the shareholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (i) specified in a notice of meeting given by or at the direction of the Board of Directors, (ii) if not specified in a notice of meeting, otherwise brought before the meeting by the Board of Directors or the Chairman of the Board of Directors or (iii) otherwise properly brought before the meeting by a shareholder present in person who (A) (1) was a beneficial owner of shares of the Corporation both at the time of giving the notice provided for in this Section 17.1 and at the time of the meeting, (2) is entitled to vote at the meeting, and (3) has complied with this Section 1 in all applicable respects or (B) properly made such proposal in

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accordance with Rule 14a-8 under the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (as so amended and inclusive of such rules and regulations, the "Exchange Act"). The foregoing clause (iii) shall be the exclusive means for a shareholder to propose business to be brought before an annual meeting of the shareholders.

For purposes of this Article XVII, "present in person" shall mean that the shareholder proposing that the business be brought before the annual meeting of the Corporation, or, if the proposing shareholder is not an individual, a qualified representative of such proposing shareholder, appear at such annual meeting.

A "qualified representative" of such proposing shareholder shall be, if such proposing shareholder is (i) a general or limited partnership, any general partner or person who functions as a general partner of the general or limited partnership or who controls the general or limited partnership, (ii) a corporation or a limited liability company, any officer or person who functions as an officer of the corporation or limited liability company or any officer, director, general partner or person who functions as an officer, director or general partner of any entity ultimately in control of the corporation or limited liability company or (iii) a trust, any trustee of such trust.

Shareholders seeking to nominate persons for election to the Board of Directors must comply with Section 17.2 and Section 17.3 and this Section 17.1 shall not be applicable to nominations except as expressly provided in Section 17.2 and Section 17.3.

**(b)** Without qualification, for business to be properly brought before an annual meeting by a shareholder, the shareholder must (i) provide Timely Notice (as defined below) thereof in writing and in proper form to the Secretary of the Corporation and (ii) provide any updates or supplements to such notice at the times and in the forms required by this Section 17.1.

To be timely, a shareholder's notice must be delivered to, or mailed and received at, the principal executive offices of the Corporation not less than one hundred twenty (120) days (not less than twenty (20) days for the annual meeting to be held in 2013 only) nor more than one hundred fifty (150) days prior to the one-year anniversary of the preceding year's annual meeting; provided, however, that if the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after such anniversary date, notice by the shareholder to be timely must be so delivered, or mailed and received, not later than the one hundred twentieth (120th) day prior to such annual meeting or, if later, the tenth (10th) day following the day on which public disclosure of the date of such annual meeting was first made (such notice within such time periods, "Timely Notice").

In no event shall any adjournment or postponement of an annual meeting or the announcement thereof commence a new time period for the giving of Timely Notice as described above.

**(c)** To be in proper form for purposes of this Section 17.1, a shareholder's notice to the Secretary shall set forth:

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**(i)** As to each Proposing Person (as defined below), (A) the name and address of such Proposing Person (including, if applicable, the name and address that appear on the Corporation's books and records); and (B) the class or series and number of shares of the Corporation that are, directly or indirectly, owned of record or beneficially owned (within the meaning of Rule 13d-3 under the Exchange Act) by such Proposing Person, except that such Proposing Person shall in all events be deemed to beneficially own any shares of any class or series of the Corporation as to which such Proposing Person has a right to acquire beneficial ownership at any time in the future (the disclosures to be made pursuant to the foregoing clauses (A) and (B) are referred to as "Shareholder Information");

**(ii)** As to each Proposing Person, (A) any material relationship between such Proposing Person, on the one hand, and the Corporation, any affiliate of the Corporation or any principal competitor of the Corporation, on the other hand, (B) any direct or indirect material interest in any material contract or agreement of such Proposing Person with the Corporation, any affiliate of the Corporation or any principal competitor of the Corporation (including, in any such case, any employment agreement, collective bargaining agreement or consulting agreement) and (C) any other information relating to such Proposing Person that would be required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies or consents by such Proposing Person in support of the business proposed to be brought before the meeting pursuant to Section 14(a) of the Exchange Act (the disclosures to be made pursuant to the foregoing clauses (A) through (C) are referred to as "Disclosable Interests"); provided, however, that Disclosable Interests shall not include any such disclosures with respect to the ordinary course business activities of any broker, dealer, commercial bank, trust company or other nominee who is a Proposing Person solely as a result of being the shareholder directed to prepare and submit the notice required by these Bylaws on behalf of a beneficial owner; and

**(iii)** As to each item of business that the shareholder proposes to bring before the annual meeting, (A) a brief description of the business desired to be brought before the annual meeting, the reasons for conducting such business at the annual meeting and any material interest in such business of each Proposing Person, (B) the text of the proposal or business (including the text of any resolutions proposed for consideration), and (C) a reasonably detailed description of all agreements, arrangements and understandings between or among any of the Proposing Persons or between or among any Proposing Person and any other record or beneficial holder(s) or persons(s) who have a right to acquire beneficial ownership at any time in the future of the shares of any class or series of the Corporation or any other person or entity (including their names) in connection with the proposal of such business by such shareholder; and (D) any other information relating to such item of business that would be required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies in support of the business proposed to be brought before the meeting pursuant to Section 14(a) of the Exchange Act; provided, however, that the disclosures required by

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this paragraph (iii) shall not include any disclosures with respect to any broker, dealer, commercial bank, trust company or other nominee who is a Proposing Person solely as a result of being the shareholder directed to prepare and submit the notice required by these Bylaws on behalf of a beneficial owner.

For purposes of this Article XVII, the term “Proposing Person” shall mean (i) the shareholder providing the notice of business proposed to be brought before an annual meeting, (ii) the beneficial owner or beneficial owners, if different, on whose behalf the notice of the business proposed to be brought before the annual meeting is made, and (iii) any associate (within the meaning of Rule 12b-2 under the Exchange Act for purposes of these Bylaws) of such shareholder or beneficial owner.

**(d)** A Proposing Person shall update and supplement its notice to the Corporation of its intent to propose business at an annual meeting, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 17.1 shall be true and correct as of the record date for notice of the meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not later than five (5) business days after the record date for notice of the meeting (in the case of the update and supplement required to be made as of such record date), and not later than eight (8) business days prior to the date for the meeting or, if practicable, any adjournment or postponement thereof (and, if not practicable, on the first practicable date prior to the date to which the meeting has been adjourned or postponed) (in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof).

**(e)** Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at an annual meeting that is not properly brought before the meeting in accordance with this Section 17.1. The presiding officer of the meeting shall, if the facts warrant, determine that the business was not properly brought before the meeting in accordance with this Section 17.1, and if he or she should so determine, he or she shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

**(f)** This Section 17.1 is expressly intended to apply to any business proposed to be brought before an annual meeting of shareholders other than any proposal made in accordance with Rule 14a-8 under the Exchange Act and included in the Corporation’s proxy statement. In addition to the requirements of this Section 17.1 with respect to any business proposed to be brought before an annual meeting, each Proposing Person shall comply with all applicable requirements of the Exchange Act with respect to any such business. Nothing in this Section 17.1 shall be deemed to affect the rights of shareholders to request inclusion of proposals in the Corporation’s proxy statement pursuant to Rule 14a-8 under the Exchange Act.

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(g) For purposes of these Bylaws, “public disclosure” shall mean disclosure in a press release reported by a national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Exchange Act.

**Section 17.2. Advance Notice of Nominations for Election to the Board of Directors at a Meeting.**

(a) Nominations of any person for election to the Board of Directors at an annual meeting or at a special meeting (but only if the election of directors is a matter specified in the notice of meeting given by or at the direction of the person calling such special meeting) may be made at such meeting only (i) by or at the direction of the Board of Directors, including by any committee or persons authorized to do so by the Board of Directors or these bylaws, or (ii) by a shareholder present in person (A) who was a beneficial owner of shares of the Corporation both at the time of giving the notice provided for in this Section 17.2 and at the time of the meeting, (B) is entitled to vote at the meeting, and (C) has complied with this Section 17.2 and Section 17.3 as to such notice and nomination. The foregoing clause (ii) shall be the exclusive means for a shareholder to make any nomination of a person or persons for election to the Board of Directors at an annual meeting or special meeting.

(b)(i) Without qualification, for a shareholder to make any nomination of a person or persons for election to the Board of Directors at an annual meeting, the shareholder must (A) provide Timely Notice (as defined in Section 17.1) thereof in writing and in proper form to the Secretary of the Corporation, (B) provide the information, agreements and questionnaires with respect to such shareholder and its candidate for nomination as required to be set forth by this Section 17.2 and Section 17.3 and (C) provide any updates or supplements to such notice at the times and in the forms required by this Section 17.2 and Section 17.3.

(ii) Without qualification, if the election of directors is a matter specified in the notice of meeting given by or at the direction of the person calling a special meeting, then for a shareholder to make any nomination of a person or persons for election to the Board of Directors at a special meeting, the shareholder must (i) provide timely notice thereof in writing and in proper form to the Secretary of the Corporation at the principal executive offices of the Corporation, (ii) provide the information with respect to such shareholder and its candidate for nomination as required by this Section 17.2 and Section 17.3 and (iii) provide any updates or supplements to such notice at the times and in the forms required by this Section 17.2. To be timely, a shareholder’s notice for nominations to be made at a special meeting must be delivered to, or mailed and received at, the principal executive offices of the Corporation not earlier than the one hundred fiftieth (150th) day prior to such special meeting and not later than the one hundred twentieth (120th) day prior to such special meeting or, if later, the tenth (10th) day following the day on which public disclosure (as defined in Section 17.1) of the date of such special meeting was first made.

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**(iii)** In no event shall any adjournment or postponement of an annual meeting or special meeting or the announcement thereof commence a new time period for the giving of a shareholder's notice as described above.

**(c)** To be in proper form for purposes of this Section 17.2, a shareholder's notice to the Secretary shall set forth:

**(i)** As to each Nominating Person (as defined below), the Shareholder Information (as defined in Section 17.1(c)(i)), except that for purposes of this Section 17.2 the term "Nominating Person" shall be substituted for the term "Proposing Person" in all places it appears in Section 17.1(c)(i);

**(ii)** As to each Nominating Person, any Disclosable Interests (as defined in Section 17.1(c)(ii)), except that for purposes of this Section 2 the term "Nominating Person" shall be substituted for the term "Proposing Person" in all places it appears in Section 17.1(c)(ii) and the disclosure with respect to the business to be brought before the meeting in Section 17.1(c)(ii) shall be made with respect to the election of directors at the meeting); and

**(iii)** As to each candidate whom a Nominating Person proposes to nominate for election as a director, (A) all information with respect to such candidate for nomination that would be required to be set forth in a shareholder's notice pursuant to this Section 17.2 and Section 17.3 if such candidate for nomination were a Nominating Person, (B) all information relating to such candidate for nomination that is required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in a contested election pursuant to Section 14(a) under the Exchange Act (including such candidate's written consent to being named in the proxy statement as a nominee and to serving as a director if elected), (C) a description of any direct or indirect material interest in any material contract or agreement between or among any Nominating Person, on the one hand, and each candidate for nomination or his or her respective associates or any other participants in such solicitation, on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Item 404 under Regulation S-K if such Nominating Person were the "registrant" for purposes of such rule and the candidate for nomination were a director or executive officer of such registrant (the disclosures to be made pursuant to the foregoing clauses (A) through (C) are referred to as "Nominee Information"), and (D) a completed and signed questionnaire, representation and agreement as provided in Section 3(a).

For purposes of this Section 17.2, the term "Nominating Person" shall mean (i) the shareholder providing the notice of the nomination proposed to be made at the meeting, (ii) the beneficial owner or beneficial owners, if different, on whose behalf the notice of the nomination proposed to be made at the meeting is made, and (iii) any associate of such shareholder or beneficial owner or any other participant in such solicitation.

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(d) A shareholder providing notice of any nomination proposed to be made at a meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 17.2 shall be true and correct as of the record date for notice of the meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not later than five (5) business days after the record date for notice of the meeting (in the case of the update and supplement required to be made as of such record date), and not later than eight (8) business days prior to the date for the meeting or, if practicable, any adjournment or postponement thereof (and, if not practicable, on the first practicable date prior to the date to which the meeting has been adjourned or postponed) (in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof).

(e) In addition to the requirements of this Section 17.2 with respect to any nomination proposed to be made at a meeting, each Nominating Person shall comply with all applicable requirements of the Exchange Act with respect to any such nominations.

**Section 17.3. Additional Requirements For Valid Nomination of Candidates to Serve as Director and, If Elected, to Be Seated as Directors.**

(a) To be eligible to be a candidate for election as a director of the Corporation at an annual or special meeting, a candidate must be nominated in the manner prescribed in Section 17.2 and:

(i) the candidate for nomination, whether nominated by the Board of Directors or by a shareholder of record, must have previously delivered (in accordance with the time period prescribed for delivery in a notice to such candidate given by or on behalf of the Board of Directors), to the Secretary at the principal executive offices of the Corporation, (i) a completed written questionnaire (in a form provided by the Corporation) with respect to the background, qualifications, stock ownership and independence of such proposed nominee and (ii) a written representation and agreement (in form provided by the Corporation) that such candidate for nomination (A) is not and, if elected as a director during his or her term of office, will not become a party to (1) any agreement, arrangement or understanding with, and has not given and will not give any commitment or assurance to, any person or entity as to how such proposed nominee, if elected as a director of the Corporation, will act or vote on any issue or question (a "Voting Commitment") or (2) any Voting Commitment that could limit or interfere with such proposed nominee's ability to comply, if elected as a director of the Corporation, with such proposed nominee's fiduciary duties under applicable law, (B) is not, and will not become a party to, any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation or reimbursement for service as a director and (C) if elected as a director of the Corporation, will comply with all applicable corporate governance, conflict of interest, confidentiality, stock ownership and trading and other policies and guidelines of the Corporation applicable to directors and in effect during such person's term in office as a

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director (and, if requested by any candidate for nomination, the Secretary of the Corporation shall provide to such candidate for nomination all such policies and guidelines then in effect); and

(ii) the candidate for nomination must meet any eligibility requirements established by these bylaws or the Corporation and corporate governance guidelines as in effect on the date such nomination is submitted and shall meet the independence requirements for independent directors established by the NASDAQ stock market.

(b) No candidate shall be eligible for nomination as a director of the Corporation unless such candidate for nomination and the Nominating Person seeking to place such candidate's name in nomination has complied with Section 17.2 and this Section 17.3, as applicable. The presiding officer at the meeting shall, if the facts warrant, determine that a nomination was not properly made in accordance with Section 17.2 and this Section 17.3, and if he or she should so determine, he or she shall so declare such determination to the meeting, the defective nomination shall be disregarded and any ballots cast for the candidate in question (but in the case of any form of ballot listing other qualified nominees, only the ballots cast for the nominee in question) shall be void and of no force or effect.

(c) Notwithstanding anything in these Bylaws to the contrary, no candidate for nomination shall be eligible to be seated as a director of the Corporation unless nominated and elected in accordance with this Section 17.3.

#### **Section 17.4. Special Meetings of Shareholders.**

(a) Special meetings of the shareholders for any purpose or purposes may be called only (i) by the Chairman of the Board of Directors, (ii) the President, (iii) by the Board of Directors, pursuant to a resolution approved by a majority of the entire Board of Directors, or (iv) by the Secretary of the Corporation, following his or her receipt of one or more written demands to call a special meeting of the shareholders in accordance with, and subject to, this Section 17.4 from shareholders of record as of the record date fixed in accordance with Section 17.4(d) who hold, in the aggregate, at least 10 percent of the capital stock entitled to vote at the meeting. The notice of a special meeting shall state the purpose or purposes of the special meeting, and the business to be conducted at the special meeting shall be limited to the purposes or purposes stated in the notice. Except in accordance with this Section 17.4, shareholders shall not be permitted to propose business to be brought before a special meeting of the shareholders. Shareholders who nominate persons for election to the Board of Directors at a special meeting must also comply with the requirements set forth in Section 17.2 and Section 17.3.

(b) No shareholder may demand that the Secretary of the Corporation call a special meeting of the shareholders pursuant to Section 17.4(a) unless a shareholder of record has first submitted a request in writing that the Board of Directors fix a record date (a "Demand Record Date") for the purpose of determining the shareholders entitled to demand that the Secretary of the

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Corporation call such special meeting, which request shall be in proper form and delivered to, or mailed and received by, the Secretary of the Corporation at the principal executive offices of the Corporation.

**(c)** To be in proper form for purposes of this Section 17.4, a request by a shareholder for the Board of Directors to fix a Demand Record Date shall set forth:

**(i)** As to each Requesting Person (as defined below), the Shareholder Information (as defined in Section 17.1(c)(i), except that for purposes of this Section 17.4 the term “Requesting Person” shall be substituted for the term “Proposing Person” in all places it appears in Section 17.1(c)(i));

**(ii)** As to each Requesting Person, any Disclosable Interests (as defined in Section 17.1(c)(ii), except that for purposes of this Section 17.4 the term “Requesting Person” shall be substituted for the term “Proposing Person” in all places it appears in Section 17.1(c)(ii) and the disclosure in clause (F) of Section 17.1(c)(ii) shall be made with respect to the business proposed to be conducted at the special meeting or the proposed election of directors at the special meeting, as the case may be);

**(iii)** As to the purpose or purposes of the special meeting, (A) a reasonably brief description of the purpose or purposes of the special meeting and the business proposed to be conducted at the special meeting, the reasons for conducting such business at the special meeting and any material interest in such business of each Requesting Person, and (B) a reasonably detailed description of all agreements, arrangements and understandings between or among any of the Requesting Persons or between or among any Requesting Person and any other record or beneficial holder of the shares of any class or series of the Corporation or any other person or entity (including their names) in connection with the request for the special meeting or the business proposed to be conducted at the special meeting; and

**(iv)** If directors are proposed to be elected at the special meeting, the Nominee Information for each person whom a Requesting Person expects to nominate for election as a director at the special meeting.

For purposes of this Section 17.4(c), the term “Requesting Person” shall mean (i) the shareholder making the request to fix a Demand Record Date for the purpose of determining the shareholders entitled to demand that the Secretary call a special meeting, (ii) the beneficial owner or beneficial owners, if different, on whose behalf such request is made, and (iii) any affiliate or associate of such shareholder or beneficial owner.

**(d)** Within ten (10) days after receipt of a request to fix a Demand Record Date in proper form and otherwise in compliance with this Section 17.4 from any shareholder of record, the Board of Directors may adopt a resolution fixing a Demand Record Date for the purpose of

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determining the shareholders entitled to demand that the Secretary of the Corporation call a special meeting, which date shall not precede the date upon which the resolution fixing the Demand Record Date is adopted by the Board of Directors. If no resolution fixing a Demand Record Date has been adopted by the Board of Directors within the ten (10) day period after the date on which such a request to fix a Demand Record Date was received, the Demand Record Date in respect thereof shall be deemed to be the twentieth (20th) day after the date on which such a request is received. Notwithstanding anything in this Section 17.4 to the contrary, no Demand Record Date shall be fixed if the Board of Directors determines that the demand or demands that would otherwise be submitted following such Demand Record Date could not comply with the requirements set forth in Section 17.4(f).

**(e)** Without qualification, a special meeting of the shareholders shall not be called pursuant to Section 17.4(a) unless shareholders of record as of the Demand Record Date who hold, in the aggregate, more than 10 percent of the voting power of the outstanding shares of the Corporation (the "Requisite Percentage") timely provide one or more demands to call such special meeting in writing and in proper form to the Secretary of the Corporation at the principal executive offices of the Corporation. Only shareholders of record on the Demand Record Date shall be entitled to demand that the Secretary of the Corporation call a special meeting of the shareholders pursuant to Section 17.4(a).

To be timely, a shareholder's demand to call a special meeting must be delivered to, or mailed and received at, the principal executive offices of the Corporation not later than the sixtieth (60th) day following the Demand Record Date.

To be in proper form for purposes of this Section 17.4, a demand to call a special meeting shall set forth (i) the business proposed to be conducted at the special meeting or the proposed election of directors at the special meeting, as the case may be, (ii) the text of the proposal or business (including the text of any resolutions proposed for consideration), if applicable, and (iii) with respect to any shareholder or shareholders submitting a demand to call a special meeting (except for any shareholder that has provided such demand in response to a solicitation made pursuant to, and in accordance with, Section 14(a) of the Exchange Act by way of a solicitation statement filed on Schedule 14A) (a "Solicited Shareholder") the information required to be provided pursuant to this Section 17.4 of a Requesting Person.

A shareholder may revoke a demand to call a special meeting by written revocation delivered to the Secretary at any time prior to the special meeting. If any such revocation(s) are received by the Secretary after the Secretary's receipt of written demands from the holders of the Requisite Percentage of shareholders, and as a result of such revocation(s), there no longer are unrevoked demands from the Requisite Percentage of shareholders to call a special meeting, the Board of Directors shall have the discretion to determine whether or not to proceed with the special meeting.

**(f)** The Secretary shall not accept, and shall consider ineffective, a written demand from a shareholder to call a special meeting (i) that does not comply with this Section 17.4, (ii) that

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relates to an item of business to be transacted at such meeting that is not a proper subject for shareholder action under applicable law, (iii) that includes an item of business to be transacted at such meeting that did not appear on the written request that resulted in the determination of the Demand Record Date, (iv) that relates to an item of business (other than the election of directors) that is identical or substantially similar to an item of business (a "Similar Item") for which a record date for notice of a shareholder meeting (other than the Demand Record Date) was previously fixed and such demand is delivered between the time beginning on the sixty-first (61st) day after such previous record date and ending on the one-year anniversary of such previous record date, (v) if a Similar Item will be submitted for shareholder approval at any shareholder meeting to be held on or before the ninetieth (90th) day after the Secretary receives such demand, or (vi) if a Similar Item has been presented at the most recent annual meeting or at any special meeting held within one year prior to receipt by the Secretary of such demand to call a special meeting.

**(g)** After receipt of demands in proper form and in accordance with this Section 17.4 from a shareholder or shareholders holding the Requisite Percentage, the Board of Directors shall duly call, and determine the place, date and time of, a special meeting of shareholders for the purpose or purposes and to conduct the business specified in the demands received by the Corporation. Notwithstanding anything in these Bylaws to the contrary, the Board of Directors may submit its own proposal or proposals for consideration at such a special meeting. The record date for notice and voting for such a special meeting shall be fixed in accordance with the laws of the state of Florida. The Board of Directors shall provide written notice of such special meeting to the shareholders in accordance with the laws of the state of Florida.

**(h)** In connection with a special meeting called in accordance with this Section 17.4, the shareholder or shareholders (except for any Solicited Shareholder) who requested that the Board of Directors fix a record date for notice and voting for the special meeting in accordance with this Section 17.4 or who delivered a demand to call a special meeting to the Secretary shall further update and supplement the information previously provided to the Corporation in connection with such request or demand, if necessary, so that the information provided or required to be provided in such request or demand pursuant to this Section 17.4 shall be true and correct as of the record date for notice of the special meeting and as of the date that is ten (10) business days prior to the special meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not later than five (5) business days after the record date for notice of the special meeting (in the case of the update and supplement required to be made as of such record date), and not later than eight (8) business days prior to the date for the special meeting or, if practicable, any adjournment or postponement thereof (and, if not practicable, on the first practicable date prior to the date to which the special meeting has been adjourned or postponed) (in the case of the update and supplement required to be made as of ten (10) business days prior to the special meeting or any adjournment or postponement thereof).

**(i)** Notwithstanding anything in these Bylaws to the contrary, the Secretary shall not be required to call a special meeting pursuant to this Section 17.4 except in accordance with this

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Section 17.4. If the Board of Directors shall determine that any request to fix a record date for notice and voting for the special meeting or demand to call and hold a special meeting was not properly made in accordance with this Section 17.4, or shall determine that the shareholder or shareholders requesting that the Board of Directors fix such record date or submitting a demand to call the special meeting have not otherwise complied with this Section 17.4, then the Board of Directors shall not be required to fix such record date or to call and hold the special meeting. In addition to the requirements of this Section 17.4, each Requesting Person shall comply with all requirements of applicable law, including all requirements of the Exchange Act, with respect to any request to fix a record date for notice and voting for the special meeting or demand to call a special meeting.

**Section 17.5. Action by Written Consent in Lieu of a Meeting.**

(a) Any action required or permitted to be taken at an annual or special meeting of shareholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, (i) shall be signed by holders of record on the record date established pursuant to Section 17.5(b) below (the “Written Consent Record Date”) of outstanding shares of the Corporation having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and (ii) shall be delivered to the Corporation at its registered office, at its principal place of business or to an officer or agent of the Corporation having custody of the minute books in which proceedings of meetings of shareholders are recorded. Delivery shall be made by hand or by certified or registered mail, return receipt requested. Every written consent shall bear the date of the signature of each shareholder who signs the consent, and no written consent shall be effective to take corporate action unless, within sixty (60) days of the earliest dated valid consent delivered in the manner described in this Section 17.5, written consents signed by a sufficient number of holders to take such action are delivered to the Corporation in the manner described in this Section 17.5. Only shareholders of record on the Written Consent Record date shall be entitled to consent to corporate action in writing without a meeting.

(b) Without qualification, any shareholder of record seeking to have the shareholders authorize or take any action by written consent shall first request in writing that the Board of Directors fix a Written Consent Record Date for the purpose of determining the shareholders entitled to take such action, which request shall be in proper form and delivered to, or mailed and received by, the Secretary of the Corporation at the principal executive offices of the Corporation.

Within ten (10) days after receipt of a request in proper form and otherwise in compliance with this Section 17.5(b) from any such shareholder, the Board of Directors may adopt a resolution fixing a Written Consent Record Date for the purpose of determining the shareholders entitled to take such action, which date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no resolution fixing a record date has been adopted by the Board of Directors within such ten (10) day period after the

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date on which such a request is received, (i) the Written Consent Record Date for determining shareholders entitled to consent to such action, when no prior action of the Board of Directors is required by applicable law, shall be the first date on which valid signed written consents constituting a majority of the outstanding shares of the Corporation and setting forth the action taken or proposed to be taken is delivered to the Corporation in the manner described in this Section 17.5, and (ii) the Written Consent Record Date for determining shareholders entitled to consent to such action, when prior action by the Board of Directors is required by applicable law, shall be at the close of business on the date on which the Board of Directors adopts the resolution taking such prior action.

**(c)** To be in proper form for purposes of this Section 17.5, a request by a shareholder for the Board of Directors to fix a Written Consent Record Date shall set forth:

**(i)** As to each Soliciting Person (as defined below), the Shareholder Information (as defined in Section 17.1(c)(i), except that for purposes of this Section 17.5 the term “Soliciting Person” shall be substituted for the term “Proposing Person” in all places it appears in Section 17.1(c)(i));

**(ii)** As to each Soliciting Person, any Disclosable Interests (as defined in Section 17.1(c)(ii), except that for purposes of this Section 17.5 the term “Soliciting Person” shall be substituted for the term “Proposing Person” in all places it appears in Section 17.1(c)(ii) and the disclosure in clause (F) of Section 17.1(c)(ii) shall be made with respect to the action or actions proposed to be taken by written consent);

**(iii)** As to the action or actions proposed to be taken by written consent, (A) a reasonably brief description of the action or actions, the reasons for taking such action or actions and any material interest in such action or actions of each Soliciting Person, (B) the text of the resolutions or consent proposed to be acted upon by written consent of the shareholders, and (C) a reasonably detailed description of all agreements, arrangements and understandings between or among any of the Soliciting Persons and between or among any Soliciting Person and any other record or beneficial owner of capital stock of the Corporation (including their names) in connection with the request or such action or actions; and

**(iv)** If directors are proposed to be elected by written consent, the Nominee Information for each person whom a Requesting Person proposes to elect as a director by written consent.

For purposes of this Section 17.5, the term “Soliciting Person” shall mean (i) the shareholder making a request for the Board of Directors to fix a record date and proposing the action or actions to be taken by written consent, (ii) the beneficial owner or beneficial owners, if different, on whose behalf such request is made, and (iii) any affiliate or associate of such shareholder or beneficial owner.

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**(d)** In connection with an action or actions proposed to be taken by written consent in accordance with this Section 17.5, the shareholder or shareholders seeking such action or actions shall further update and supplement the information previously provided to the Corporation in connection therewith, if necessary, so that the information provided or required to be provided pursuant to this Section 17.5 shall be true and correct as of the record date for determining the shareholders eligible to take such action and as of the date that is five (5) business days prior to the date the consent solicitation is commenced, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not later than five (5) business days after the record date for determining the shareholders eligible to take such action (in the case of the update and supplement required to be made as of the record date), and not later than three (3) business days prior to the date that the consent solicitation is commenced (in the case of the update and supplement required to be made as of five (5) business days prior to the commencement of the consent solicitation). In the event that there is a change in the information required to be provided by the shareholder pursuant to Section 17.5(c)(iii), the shareholder shall be required to submit in proper form a new request that the Board of Directors adopt a resolution fixing a new Written Consent Record Date in accordance with Section 17.5(b) of these Bylaws.

**(e)** Notwithstanding anything in these Bylaws to the contrary, no action may be taken by the shareholders by written consent except in accordance with this Section 17.5. If the Board of Directors shall determine that any request to fix a Written Consent Record Date or to take shareholder action by written consent was not properly made in accordance with this Section 17.5, or the shareholder or shareholders seeking to take such action do not otherwise comply with this Section 17.5, then the Board of Directors shall not be required to fix a Written Consent Record Date and any such purported action by written consent shall be null and void to the fullest extent permitted by applicable law. In addition to the requirements of this Section 17.5 with respect to shareholders seeking to take an action by written consent, each Soliciting Person shall comply with all requirements of applicable law, including all requirements of the Exchange Act, with respect to such action.



## CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Richard Rallo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Alico, Inc. (Alico),
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state 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 Alico as of, and for, the periods presented in this report;
4. Alico's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for Alico 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 Alico, 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 Alico's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in Alico's internal control over financial reporting that occurred during Alico's most recent fiscal quarter ended June 30, 2019, that has materially affected, or is reasonably likely to materially affect, Alico's internal control over financial reporting; and
5. Alico's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Alico's auditors and audit committee of Alico's Board of Directors:
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2019

By:

/s/ Richard Rallo

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Richard Rallo

Senior Vice President and Chief Financial Officer  
(Principal Financial and Accounting Officer)

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

In connection with the quarterly report of Alico, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2019 as filed with the Securities and Exchange Commission on August 6, 2019, (the "Form 10-Q"), I, John E. Kiernan, President and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2019

By:

/s/ John E. Kiernan

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John E. Kiernan

President and Chief Executive Officer

(Principal Executive Officer)

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

In connection with the quarterly report of Alico, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2019, as filed with the Securities and Exchange Commission on August 6, 2019, (the "Form 10-Q"), I, Richard Rallo, Senior Vice President and Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2019

By:

/s/ Richard Rallo

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Richard Rallo

Senior Vice President and Chief Financial Officer  
(Principal Financial and Accounting Officer)

**CHARTER OF THE COMPENSATION COMMITTEE  
OF THE BOARD OF DIRECTORS  
OF  
ALICO, INC.**

**Purpose**

The Compensation Committee (the “Committee”) is appointed by the Board of Directors (the “Board”) to discharge the Board’s responsibilities relating to compensation of Alico, Inc.’s (the “Company”) Chief Executive Officer (the “CEO”) and the Company’s other executive officers (collectively, including the CEO, the “Executive Officers”). The Committee has overall responsibility for approving and evaluating all compensation plans, policies and programs of the Company as they affect the Executive Officers.

**Committee Membership**

The Committee shall consist of no fewer than two members. Each member of the Committee shall meet the independence requirements included in the rules of the Nasdaq Stock Market LLC (the “Stock Exchange Rules”) and the applicable rules and regulations of the Securities and Exchange Commission, in each case to the extent required by such rules, regulations and requirements. Each member of the Committee also shall qualify as “outside” directors within the meaning of Internal Revenue Code Section 162(m) and as “non-employee” directors within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended.

The members of the Committee shall be appointed by the Board on the recommendation of the Nominating & Governance Committee. One member of the Committee shall be appointed as Committee Chairman by the Board. Committee members may be replaced by the Board.

**Meetings**

The Committee shall meet as often as necessary to carry out its responsibilities. The Committee Chairman shall preside at each meeting. In the event the Committee Chairman is not present at a meeting, the

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Committee members present at that meeting shall designate one of its members as the acting chair of such meeting. The Committee shall report regularly to the Board regarding its actions and make recommendations to the Board as appropriate. The Committee is governed by the same rules regarding meetings (including meetings in person or by telephone or other similar communications equipment), action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the Board.

The Committee shall review this Charter at least annually and recommend any proposed changes to the Board for approval.

#### **Committee Responsibilities and Authority**

1. The Committee shall, at least annually, review and approve the annual base salaries and annual incentive opportunities of the Executive Officers. The CEO shall not be present during any Committee deliberations or voting with respect to his or her compensation.
  2. The Committee shall, periodically and as and when appropriate, review and approve the following as they affect the Executive Officers: (a) all other incentive awards and opportunities, including both cash-based and equity-based awards and opportunities; (b) any employment agreements and severance arrangements; (c) any change-in-control agreements and change-in-control provisions affecting any elements of compensation and benefits; and (d) any special or supplemental compensation and benefits for the Executive Officers and individuals who formerly served as Executive Officers, including supplemental retirement benefits and the perquisites provided to them during and after employment.
  3. The Committee shall review and discuss the Compensation Discussion and Analysis (the “CD&A”) required to be included in the Company’s proxy statement and annual report on Form 10-K by the rules and regulations of the Securities and Exchange Commission (the “SEC”) with management, and, based on such review and discussion, determine whether or not to recommend to the Board that the CD&A be so included.
  4. The Committee shall produce the annual Compensation Committee Report for inclusion in the Company’s proxy
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statement in compliance with the rules and regulations promulgated by the SEC.

5. The Committee shall monitor the Company's compliance with the requirements under the Sarbanes-Oxley Act of 2002 relating to loans to directors and officers, and with all other applicable laws affecting employee compensation and benefits.
6. The Committee shall oversee the Company's compliance with SEC rules and regulations regarding shareholder approval of certain executive compensation matters, including advisory votes on executive compensation and the frequency of such votes, and the requirement under the Stock Exchange Rules that, with limited exceptions, shareholders approve equity compensation plans.
7. The Committee shall receive periodic reports on the Company's compensation programs as they affect all employees.
8. The Committee shall make regular reports to the Board.
9. The Committee shall have the authority, in its sole discretion, to retain and terminate (or obtain the advice of) any consultant, legal counsel, or adviser to assist it in the performance of its duties, but only after taking into consideration factors relevant to the adviser's independence from management specified in Nasdaq Listing Rule 5605(d)(3) (or the equivalent rule of any other applicable exchange on which the Company's common stock is then listed). The Committee shall be directly responsible for the appointment, compensation and oversight of the work of any adviser retained by the Committee, and shall have sole authority to approve the adviser's fees and the other terms and conditions of the adviser's retention. The Company must provide for appropriate funding, as determined by the Committee, for payment of reasonable compensation to any adviser retained by the Committee.
10. The Committee may form and delegate authority to subcommittees as it deems appropriate and as to the extent permitted by applicable law.

**CHARTER OF THE EXECUTIVE COMMITTEE  
OF THE BOARD OF DIRECTORS  
OF  
ALICO, INC.**

**Purpose**

The Executive Committee (the “Committee”) is appointed by the Board of Directors (the “Board”) of Alico, Inc. (the “Company”) to act for and on behalf of the Board and the Company, to the fullest extent permitted by law, including by (1) directing the operational management and policies of the Company, (2) authorizing the Company to enter into contracts (including contracts with executive officers of the Company, to the extent such power is not delegated exclusively to the Compensation Committee of the Board) and make expenditures, (3) authorizing the Company to incur indebtedness (which authorization shall constitute the specific direction of the Board referred to in Article XIII of the Company’s bylaws), (4) taking any and all actions that, in the judgment of the Committee, are not consequential enough to submit to the full Board and (5) taking any and all such further action between meetings of the Board when prompt action is needed before the Board’s next regularly scheduled meeting and, when, in the judgment of the Committee, it is not practical to convene a Board meeting.

**Membership**

The Committee shall consist of three directors, one of whom shall be the Chairman of the Board.

The members of the Committee shall be appointed by the Board (on the recommendation of the Nominating and Corporate Governance Committee) and may be removed or replaced by the Board. One member of the Committee shall be appointed as its Chairman (the “Chairman”) by the Board.

**Meetings**

The Committee shall meet as often as it determines necessary and may meet in person or by telephone conference, videoconference or other means of communications permitted under applicable Florida law. The Chairman shall preside at each meeting and, in the absence of the Chairman, one of the other members of the Committee shall be designated as the acting chair of the meeting. The Committee may request any officer or employee of the Company or the Company’s outside counsel or other advisors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

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The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities. In particular, the Committee shall have direct and unrestricted access to the Corporation's management and non-management personnel and all corporate records, and it shall have the authority to obtain advice and assistance from internal or external legal, accounting or other advisors.

The Committee shall make regular reports to the full Board. The Board may in its discretion review the actions taken and decisions made by the Executive Committee as presented and may modify or rescind such actions or decisions. Notwithstanding the foregoing, any and all actions taken by the Committee shall be fully effective and represent the action of the Board unless and until modified or rescinded by the action of the full Board.

The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

### **Committee Authority and Responsibilities**

The Committee may, in the intervals between meetings of the Board, exercise all or any of the powers of the Board (including for the reasons enumerated under "Purpose" above), except that in accordance with Section 607.0825 of the Florida Business Corporation Act, the Committee may not take any action to:

- (1) Approve or recommend to shareholders actions or proposals required by the Florida Business Corporation Act to be approved by shareholders.
- (2) Fill vacancies on the Board or any committee thereof.
- (3) Adopt, amend or repeal the Company's Bylaws.
- (4) Authorize or approve the reacquisition of shares unless pursuant to a general formula or method specified by the Board.
- (5) Authorize or approve the issuance or sale or contract for the sale of shares, or determine the designation and relative rights, preferences, and limitations of a voting group except that the Board may authorize a committee (or senior executive officer of the Company) to do so within limits specifically prescribed by the Board.

The Committee shall also discharge any other duty or responsibility specifically assigned to it by the Board.

**CHARTER OF THE NOMINATING & GOVERNANCE COMMITTEE  
OF THE BOARD OF DIRECTORS  
OF  
ALICO, INC.**

**Purpose**

The Nominating & Governance Committee (the “Committee”) is appointed by the Board of Directors (the “Board”) of Alico, Inc. (“the “Company”): (1) to assist the Board by identifying individuals qualified to become Board members, consistent with criteria approved by the Board, and to recommend to the Board the director nominees for election and re-election at the annual meetings of shareholders; (2) to review and recommend to the Board the Corporate Governance Guidelines applicable to the Company; (3) to lead the Board in its annual review of the Board and management’s performance; (4) to recommend to the Board director nominees for each committee of the Board; and (5) to assist in any related matters required by the federal securities laws.

**Committee Membership**

The Committee shall consist of no fewer than three members. Each member of the Committee shall be independent in accordance with the rules of the Nasdaq Stock Market LLC (the “Stock Exchange Rules”) and the applicable rules and regulations of the Securities and Exchange Commission, in each case to the extent required by such rules, regulations and requirements.

The members of the Committee shall be appointed annually by the Board, and vacancies shall be filled or members removed by the Board. One member of the Committee shall be appointed as its Chairman (the “Chairman”) by the Board. Committee members may be removed or replaced by the Board. A Committee member may resign by giving written notice to the Board and may resign Committee membership without resigning from the Board. The Committee may delegate authority to individuals or subcommittees when it deems appropriate and as to the extent permitted by applicable law.

**Meetings**

The Committee shall meet as often as necessary to carry out its responsibilities. The Chairman shall preside at each meeting and, in the event the Chairman is not present at a meeting, the Committee members present at that meeting shall designate one of its members as the acting chair of such meeting.

**Committee Authority and Responsibilities**

1. The Committee may retain special consultants and advisors to advise the Committee. The Committee shall have the sole authority to retain and terminate any search firm to be used to identify director candidates and shall have sole authority to approve the search firm’s fees and other retention terms. The Committee shall also have authority to obtain advice and assistance from internal or external legal, accounting or other advisors.
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2. The Committee shall actively seek individuals qualified to become Board members for recommendation to the Board, consistent with criteria approved by the Board and shall consider any director candidates recommended by the Company's stockholders pursuant to the procedures set forth in the Company's governance documents and as described in the Company's proxy statement.
3. The Committee shall make recommendations to the Board regarding the selection and approval of the nominees for director to be submitted to a stockholder vote at the annual meeting of stockholders, subject to approval by the Board.
4. The Committee shall annually review and make recommendations to the Board with respect to the compensation and benefits of directors, including under any incentive compensation plans and equity-based compensation plans.
5. The Committee shall receive comments from all directors and report annually to the Board with an assessment of the Board's performance, to be discussed with the full Board following the end of each fiscal year.
6. The Committee shall review and reassess the adequacy of the Corporate Governance Guidelines of the Company and recommend any proposed changes to the Board for approval.
7. The Committee shall review directors' and officers' indemnification and insurance matters and make such recommendations to the Board as the Committee deems appropriate.
8. The Committee shall review and reassess the Company's succession planning and make an annual report to the Board on succession planning.
9. The Committee shall make regular reports to the Board.
10. The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
11. The Committee shall annually review its own performance.
12. The Committee may form and delegate authority to subcommittees when appropriate and as to the extent permitted by applicable law.