

TEJON RANCH CO
Form DEF 14A
March 28, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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| <input type="checkbox"/> | Preliminary Proxy Statement | <input type="checkbox"/> | Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
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TEJON RANCH CO.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

Notes:

TEJON RANCH CO.

Post Office Box 1000

Lebec, California 93243

April 8, 2003

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Tejon Ranch Co. on Tuesday, May 13, 2003, at 9:30 A.M., at the Hyatt Regency Irvine, 17900 Jamboree Boulevard, Irvine, California. Your Board of Directors and management look forward to greeting those stockholders who are able to attend.

The Notice of Annual Meeting and Proxy Statement containing information concerning the business to be transacted at the meeting appear in the following pages.

It is important that your shares be represented and voted at the meeting, whether or not you plan to attend. Please sign, date, and mail the enclosed proxy at your earliest convenience.

Your interest and participation in the affairs of the Company are greatly appreciated.

Sincerely,

Robert A. Stine,

President and Chief Executive Officer

TEJON RANCH CO.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

on

May 13, 2003

The Annual Meeting of Stockholders of Tejon Ranch Co. (the Company) will be held at the Hyatt Regency Irvine, 17900 Jamboree Boulevard, Irvine, California on Tuesday, May 13, 2003, at 9:30 A.M., California time, for the following purposes:

1. To elect three directors.
2. To transact such other business as may properly come before the meeting or any adjournment thereof.

The names of the nominees of the Board of Directors of the Company for election at the meeting are: Dan T. Daniels, Robert C. Ruocco and Geoffrey L. Stack.

The Board of Directors has fixed the close of business on March 19, 2003, as the record date for the determination of stockholders entitled to notice of and to vote at the meeting.

Your attention is invited to the accompanying Proxy Statement. To ensure that your shares are represented at the meeting, please date, sign, and mail the enclosed proxy, for which a return envelope is provided.

For the Board of Directors,

DAN T. DANIELS, Chairman of the Board

DENNIS MULLINS, Secretary

Lebec, California

April 8, 2003

PLEASE MARK YOUR INSTRUCTIONS ON THE ENCLOSED PROXY, SIGN AND DATE THE PROXY, AND RETURN IT IN THE ENCLOSED POSTAGE PAID ENVELOPE EVEN IF YOU PLAN TO ATTEND THE ANNUAL MEETING. IF YOU ATTEND THE MEETING AND WISH TO DO SO, YOU MAY VOTE YOUR SHARES IN PERSON EVEN IF YOU HAVE SIGNED AND

RETURNED YOUR PROXY.

TEJON RANCH CO.

Post Office Box 1000

Lebec, California 93243

PROXY STATEMENT

Annual Meeting of Stockholders

May 13, 2003

This Proxy Statement is being furnished in connection with the solicitation of proxies by the Company for use at the Annual Meeting of Stockholders to be held on May 13, 2003.

It is anticipated that the mailing of this Proxy Statement and accompanying form of Proxy to stockholders will begin on or about April 8, 2003.

SOLICITATION OF PROXIES

At the meeting, the stockholders of the Company will be asked (1) to elect three directors, and (2) to transact such other business as may properly come before the meeting. Your Board of Directors is asking for your proxy for use at the meeting. Although management does not know of any other matter to be acted upon at the meeting, shares represented by valid proxies will be voted by the persons named on the proxy in accordance with their best judgment with respect to any other matters which may properly come before the meeting.

The cost of preparing, assembling, and mailing the Notice of Meeting, this Proxy Statement and the enclosed proxy ballot will be paid by the Company. Following the mailing of this Proxy Statement, directors, officers, and regular employees of the Company may solicit proxies by mail, telephone, other electronic means, or in person; such persons will receive no additional compensation for such services. Brokerage houses and other nominees, fiduciaries and custodians nominally holding shares of record will be requested to forward proxy soliciting material to the beneficial owners of such shares and will be reimbursed by the Company for their charges and expenses in connection therewith at the rates approved by the New York Stock Exchange.

RECORD DATE AND VOTING

Holders of shares of Common Stock of record at the close of business on March 19, 2003, are entitled to notice of, and to vote at, the meeting. There were 14,438,797 shares of Common Stock outstanding at the record date. A stockholder giving a proxy may revoke it at any time before it is voted by filing with the Company's Secretary a written notice of revocation or a duly executed proxy bearing a later date. Unless a proxy is revoked and except as indicated below under Election of Directors, shares represented by a proxy will be voted in accordance with the voting instructions on the proxy and, on matters for which no voting instructions are given, shares will be voted for the nominees of the Board of Directors as shown on the proxy. Stockholders cannot abstain in the election of directors, but they can withhold authority. Stockholders who

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withhold authority will be considered present for purposes of determining a quorum. The rules of the New York Stock Exchange permit member organizations (brokers) to vote shares on behalf of beneficial owners, in the absence of instructions from beneficial owners, on certain routine matters, including the election of directors, but do not permit such votes on non-routine matters. Situations where brokers do not vote on non-routine proposals are referred to as broker non-votes. Broker non-votes will not be counted as present for purposes of determining a quorum and will have no effect on the outcome of the voting for any non-routine matters that may arise at the meeting.

Stockholders vote cumulatively in the election of directors. Cumulative voting means that each stockholder is entitled to a number of votes equal to the number of directors to be elected multiplied by the number of shares he or she holds. These votes may be cast for one nominee or distributed among two or more nominees. The three (3) candidates receiving the highest number of affirmative votes will be elected as directors. On all other matters, stockholders are entitled to one vote per share held. The proxies being solicited include authority of the proxy holders to cumulate votes.

STOCK OWNERSHIP OF PRINCIPAL STOCKHOLDERS AND MANAGEMENT

The following table lists the stockholders known to the Company to be the beneficial owners of more than 5% of the shares of Company Common Stock outstanding as of March 19, 2003. The table also provides the stock ownership as of the same date of all directors, the most highly compensated executive officers during 2002, and all directors and officers as a group.

Name and Address of Stockholder	Amount and Nature of Beneficial Ownership(1)	Percent of Class
Ardell Investment Company P.O. Box 1715 Newport Beach, CA 92659	1,028,528(2)	7.12%
M.H. Sherman Company P.O. Box 1715 Newport Beach, CA 92659	1,140,630(2)	7.90%
Third Avenue Management LLC 767 Third Avenue New York, NY 10017	4,235,372(3)	29.33%
FMR Corp. 82 Devonshire Street Boston, MA 02109	1,007,613(4)	6.98%
Directors		
Otis Booth, Jr.	14,119(5)	below 1%
Craig Cadwalader	2,241,830(6)	15.53%
Dan T. Daniels	2,248,294(7)	15.57%
John L. Goolsby	10,478(8)	below 1%
Norman Metcalfe	8,296(5)	below 1%
George G.C. Parker	4,439(8)	below 1%
Robert C. Ruocco	590,326(9)	4.09%
Kent G. Snyder	10,116(5)	below 1%
Geoffrey L. Stack	7,032(10)	below 1%
Robert A. Stine	262,968(11)	1.82%
Michael H. Winer	4,235,372(12)	29.33%
Executive Officers		
Joseph E. Drew	6,000(10)	below 1%
Allen E. Lyda	54,275(10)	below 1%
Dennis Mullins	49,523(10)	below 1%
Dana C. Severy	5,000(10)	below 1%
All officers and directors as a group (17 persons)	7,535,820	52.19%

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- (1) In each case, the named stockholder has the sole voting and investment power as to the indicated shares, except as set forth in the footnotes below, and except that all options are held by directors and officers individually.

- (2) Does not include 21,572 shares (0.15% of the number of shares outstanding) owned of record and beneficially by the Sherman Foundation, a non-profit public charity, three of the trustees of which are directors of Ardell Investment Company and M.H. Sherman Company, those being Messrs. Donald Haskell, Craig Cadwalader and Dan T. Daniels, the latter two of whom are directors of the Company. Mr. Haskell is President of the Sherman Foundation, is Chairman and a director of Ardell Investment Company, is Chairman of the Board and a director of M.H. Sherman Company, and has the power to vote a majority of the shares of Ardell Investment Company and M.H. Sherman Company. Mr. Haskell also owns personally 51,100 shares of the Company. Mr. Haskell disclaims beneficial ownership of the shares owned by the Sherman Foundation for all other purposes.
- (3) Includes 3,420,106 shares owned beneficially and of record by Third Avenue Value Fund, 274,600 shares owned beneficially and of record by Third Avenue Small-Cap Value Fund, 304,980 shares owned beneficially and of record by Third Avenue Real Estate Value Fund, 18,000 shares owned beneficially and of record by the Third Avenue Variable Portfolio of the Third Avenue Variable Series Trust, and 137,305 shares owned beneficially and of record by the Third Avenue Variable Portfolio of the AEGON/Transamerica Series. Third Avenue Management LLC has sole voting and investment power with respect to these shares. Also includes 80,381 shares owned of record by various individual investment accounts managed by Third Avenue Management LLC, which has sole investment power with respect to those shares and sole voting power with respect to 76,803 of those shares.
- (4) Based on information certified as accurate as of December 31, 2002 in a Schedule 13G dated February 14, 2003 filed by the parent holding company of the stockholders with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934. Includes 1,000,000 shares owned beneficially by Fidelity Low Priced Stock Fund.
- (5) Includes shares underlying options that are currently exercisable as follows: Mr. Booth 12,996 shares, Mr. Metcalfe 6,499 shares, and Mr. Snyder 10,116 shares.
- (6) Includes 1,028,528 shares owned by Ardell Investment Company, 1,140,630 shares owned by M.H. Sherman Company, and 21,572 shares owned by the Sherman Foundation. Mr. Cadwalader is President and a director of Ardell Investment Company, Vice President and a director of M.H. Sherman Company and Vice President and a trustee of the Sherman Foundation. Mr. Cadwalader disclaims beneficial ownership as to all of the shares owned by said entities for all other purposes.
- (7) Includes 1,028,528 shares owned by Ardell Investment Company, 1,140,630 shares owned by M.H. Sherman Company, and 21,572 shares owned by the Sherman Foundation. Mr. Daniels is Executive Vice President, Treasurer and a director of Ardell Investment Company, President and a director of M.H. Sherman Company, and Executive Vice President, Secretary and a trustee of the Sherman Foundation. Mr. Daniels disclaims beneficial ownership as to all of the shares owned by said entities for all other purposes. Also includes 6,464 shares underlying options held by Mr. Daniels that are currently exercisable.
- (8) The shares owned by each of Messrs. Goolsby and Parker are held by a family trust concerning which the director and his spouse share voting and investment power. Includes shares underlying options that are currently exercisable as follows: Mr. Goolsby 9,130 shares and Mr. Parker 3,877 shares.
- (9) Includes 585,083 shares owned beneficially and of record by Carl Marks Strategic Investments, L.P. Mr. Ruocco is a General Partner of Carl Marks Management Company, L.P. and shares voting and investment power. Includes 5,243 shares underlying options held by Mr. Ruocco that are currently exercisable.
- (10) The shares owned by Messrs. Stack, Lyda and Mullins are held as community property concerning which the named person and his spouse share voting and investment power. The totals for Messrs. Stack, Drew, Lyda, Mullins and Severy include shares underlying options that are currently exercisable as follows: Mr. Stack 6,988 shares, Mr. Drew 6,000 shares, Mr. Lyda 49,368 shares, Mr. Mullins 46,768 shares, and Mr. Severy 5,000 shares.
- (11)

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Some of the shares owned by Mr. Stine are held by a family trust and some are held as community property. In each case he and his spouse share voting and investment power. Includes 250,210 shares underlying options that are currently exercisable.

- (12) Includes 3,420,106 shares owned beneficially and of record by Third Avenue Value Fund, 274,600 shares owned beneficially and of record by Third Avenue Small-Cap Value Fund, 304,980 shares owned beneficially and of record by Third Avenue Real Estate Value Fund, 18,000 shares owned beneficially and of record by the Third Avenue Value Portfolio of the Third Avenue Variable Series Trust, and 137,305 shares owned beneficially and of record by the Third Avenue Value Portfolio of the AEGON/Transamerica Series. Also includes 80,381 shares owned of record by various individual investment accounts managed by Third Avenue Management LLC, which has sole investment power with respect to those shares and sole voting power with respect to 76,803 of those shares. Mr. Winer is a Portfolio Manager of Third Avenue Management LLC and shares voting and investment power. Mr. Winer disclaims beneficial ownership of the shares owned by said entities for all other purposes.

ELECTION OF DIRECTORS

The Board of Directors now consists of eleven directors divided into three classes based upon when their terms expire. The terms of four directors (Class I) expire at the 2003 Annual Meeting, the terms of three directors (Class II) expire at the 2004 Annual Meeting, and the terms of four directors (Class III) expire at the 2005 Annual Meeting. The regular terms of directors expire at the third Annual Meeting following the Annual Meeting at which the directors were elected, although directors continue to serve until their successors are elected and qualified, unless the authorized number of directors has been decreased. The Board of Directors has voted to reduce its size to ten directors and to reduce the number of Class I directors and Class II directors from four to three effective as of the 2003 Annual Meeting. Mr. Booth is retiring from the Board at that time and he will not be replaced.

The names of the nominees of the Board of Directors for election as directors at the 2003 Annual Meeting (all of whom are presently directors) are set forth in the table below, along with certain other information. The table also includes information as to other directors of the Company.

Other than nominations made at the direction of the Board of Directors, nominations of persons for election to the Board of Directors by stockholders must be made pursuant to timely notice in writing to the Secretary of the Company. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Company not later than the close of business on the tenth day following the day on which the Notice of Annual Meeting of Stockholders was mailed. Such stockholder's notice must set forth: (i) as to each person whom the stockholder proposes to nominate for election or reelection as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors or is otherwise required, in each case pursuant to the Securities Exchange Act of 1934, as amended; and (ii) as to the stockholder giving the notice, the name and address, as they appear on the Company's books, of such stockholder, and the class and number of shares of the Company which are beneficially owned by such stockholder.

Except as noted below, each proxy solicited by and on behalf of the Board of Directors will be voted FOR the election of the nominees named below (unless such authority is withheld as provided in the proxy) and one-third of the votes to which the stockholder is entitled will be cast for each of the three nominees. In the event any one or more of the nominees shall become unable to serve or refuse to serve as director (an event which is not anticipated), the proxy holders will vote for substitute nominees in their discretion. If one or more persons other than those named below as nominees for the 2003 Annual Meeting are nominated as candidates for director by persons other than the Board of Directors, the enclosed proxy may be voted in favor of any one or more of said nominees of the Board of Directors or substitute nominees and in such order of preference as the proxy holders may determine in their discretion.

All references to the Company in the table below and the remainder of this Proxy Statement relating to periods prior to June 1987 include references to Tejon Ranch Co., a California corporation and the Company's predecessor, which became a wholly owned subsidiary of the Company as a result of a reincorporation transaction consummated in June 1987.

Nominees for Class I Directors Whose Terms Expire in 2006	First Became	Age
and Principal Occupation or Employment(1)	Director	Age
Dan T. Daniels(2)(4)(5) President and Director, M.H. Sherman Company, investments	1982	61
Robert C. Ruocco(3)(4) General Partner, Carl Marks Management Company, L.P., investment management; Director of Sport & Health Company, L.C.	1997	44
Geoffrey L. Stack(3)(4)(5) Managing Director, SARES REGIS Group, real estate development and management; Director of Arral & Partners	1998	59
Other Directors and Principal Occupation or Employment(1)		
Otis Booth, Jr.(3) Private investments and ranching; Director of Clipper Fund, Inc.	1970	79
Craig Cadwalader(3) President and Director, Ardell Investment Company, investments; Director, M.H. Sherman Company	1994	62
John L. Goolsby(5) Private investments and real estate; Director of America West Holdings Corporation	1999	61
Norman Metcalfe(2)(4)(5) Real estate and investments; Director of The Ryland Group	1998	60
George G.C. Parker(3)(4) Dean Witter Distinguished Professor of Finance, Graduate School of Business, Stanford University; Director of Continental Airlines, Inc., Barclays Global Investors, and Affinity Group Holdings	1999	64
Kent G. Snyder(3)(5) Attorney at Law; Director of Pacific Premier Bancorp, Inc.	1998	66
Robert A. Stine(2)(5) President and Chief Executive Officer, Tejon Ranch Co.; Director of First Community Bancorp and The Bakersfield Californian	1996	56
Michael H. Winer(2) Portfolio Manager, Third Avenue Management LLC, investment management	2001	47

- (1) Except as set forth below, each of the directors has been engaged in his principal occupation described above during the past five years. There are no family relationships among any directors of the Company.

Mr. Goolsby served as President and Chief Executive Officer of The Howard Hughes Corporation, a real estate development company, from 1990 until his retirement in July 1998. Mr. Parker also served as Senior Associate Dean for Academic Affairs and Director of the MBA Program at Stanford from 1993 to 2001. Mr. Winer has served as a Portfolio Manager at Third Avenue Management LLC since August 2002, when it succeeded to the business operations of M.J. Whitman Advisers, Inc. and EQSF Advisers, Inc. Mr. Winer served as a Portfolio Manager at M.J. Whitman Advisers, Inc. and EQSF Advisers, Inc. since September 1998. Previously, he held other positions at EQSF Advisers, Inc. and certain of its affiliates since May 1994, including Senior Real Estate Analyst and Managing Director.

- (2) Member of Executive Committee.
- (3) Member of Audit Committee.
- (4) Member of Compensation Committee.
- (5) Member of Real Estate Committee.

The terms of Messrs. Calwalader, Parker and Stine expire at the 2004 Annual Meeting, and the terms of Messrs. Goolsby, Metcalfe, Snyder and Winer expire at the 2005 Annual Meeting.

Board of Directors and Committees

Standing committees of the Board of Directors include the Executive, Audit, Compensation, and Real Estate Committees. The major functions of each of these committees are described briefly below.

Except for certain powers which, under Delaware law, may be exercised only by the full Board of Directors, the Executive Committee may exercise all powers and authority of the Board of Directors in the management of the business and affairs of the Company. The Executive Committee also functions as the Nominating Committee as needed. In this role, it periodically searches for and considers qualified candidates to serve on the Board of Directors. However, the nominees for director proposed by the Board of Directors are selected by the entire Board. The Committee will consider nominees for director recommended by stockholders. Any such recommendations should be submitted in writing to the Secretary of the Company at its principal office.

The Audit Committee acts on behalf of the Board of Directors in fulfilling the Board's oversight responsibility relating to the Company's financial statements and the financial reporting process, the systems of internal accounting and financial controls, the annual independent audit of the Company's financial statements, and the legal compliance and ethics programs as established by management and the Board. The Charter of the Audit Committee was adopted and approved by the Board of Directors in 2000 and is attached as an Appendix to this Proxy Statement. Each of the members of the Audit Committee is independent as defined under the listing standards of the New York Stock Exchange.

The Compensation Committee periodically reviews and either adjusts or recommends to the Board of Directors appropriate adjustments to the compensation arrangements for executive officers.

The Real Estate Committee reviews all activities and issues related to the Company's real estate assets and opportunities. It receives and considers the analyses of the Company's real estate staff. The Committee directs management on the direction that the Company's real estate activities should take.

During 2002, there were five meetings of the Board of Directors, none of the Executive Committee, five of the Audit Committee, two of the Compensation Committee, and two of the Real Estate Committee. The Board of Directors has determined that the Audit Committee should meet

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quarterly in 2002 and future years. During 2002 all incumbent directors attended 75% or more of the aggregate total of such meetings of the Board of Directors and committees of the Board on which they served, except for Mr. Booth.

Director Compensation

Directors who are not employees of the Company receive an annual retainer of \$24,000, a fee of \$1,000 for attendance at any meeting of the Board, a fee of \$1,000 for the first Committee meeting attended by such director on a day when the Board is not meeting and a fee of \$500 per Committee meeting attended by such director on the day of a Board meeting or another Committee meeting. The fees are payable if the meeting was attended in person or by telephone conference call. The annual retainer is payable one-half in cash and one-half in stock options valued using the Black-Scholes method, unless the director elects to receive his entire retainer in stock options. If a director owns beneficially, or is affiliated with a person or entity which owns beneficially, 5% or more of the outstanding shares of the Common Stock of the Company, then that director may elect to receive his entire annual retainer in cash.

EXECUTIVE COMPENSATION

The following table shows the aggregate compensation paid on an accrual basis by the Company and its subsidiaries during 2002 and each of the two previous years to the Chief Executive Officer and to the four other executive officers of the Company who were most highly compensated in 2002.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Annual Compensation			Long Term Compensation		
	Year	Salary(1) (\$)	Bonus(1) (\$)	Restricted Stock Awards(2) (\$)	Underlying Options (#)	All Other Compensation(3) (\$)
Robert A. Stine President and Chief Executive Officer	2002	350,000	200,000	0	100,000	3,500
	2001	310,000	137,268	0	167,500	3,100
	2000	310,000	149,182	0	0	3,100
Dana C. Severy(4) Senior Vice President	2002	225,000	90,000	0	25,000	562
	2001	56,250	30,000	0	25,000	0
Allen E. Lyda Vice President, Chief Financial Officer, Treasurer and Assistant Secretary	2002	170,000	77,500	0	25,000	1,700
	2001	170,000	49,419	0	39,000	1,700
	2000	155,000	53,968	0	0	1,550
Dennis Mullins Vice President, General Counsel and Secretary	2002	170,000	72,000	0	25,000	1,700
	2001	170,000	61,081	92,354	46,000	1,700
	2000	155,000	55,493	0	0	1,550
Joseph E. Drew(4) Vice President	2002	150,000	57,000	0	30,000	1,125
	2001	112,500	35,000	0	30,000	0

- (1) Amounts shown include salary earned and received by executive officers. The bonus amounts shown were accrued by the Company in the years shown but were received by the officers in January and February of the following years.
- (1) The amounts in this column represent the value of restricted stock granted under the 1998 Stock Incentive Plan based on the closing price of the Company's Common Stock on the New York Stock Exchange on the date the issuance of the shares was authorized by the Board of Directors. The valuations of the shares in the table do not reflect the effect of the contingencies on the value of the shares when they were granted. The restrictions were removed in September 2001 when the contingencies were satisfied.
- (3) The amounts in this column include the matching contributions made by the Company under its 401(k) defined contribution plan, but do not include obligations incurred for the benefit of the officers' Supplemental Executive Retirement Plans.

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- (4) Mr. Severy commenced employment with the Company on September 4, 2001, and Mr. Drew commenced employment with the Company on March 19, 2001.

