



IMG ENTERPRISES ANNUAL REPORT

We believe that through our sustainable connection to the environment we can transform the world exponentially.

IMG
Enterprises

MAYBE, SAID THE FARMER

Author Unknown

Once upon a time, there was an old farmer who had worked his crops for many years. One day, his horse ran away. Upon hearing the news, his neighbors came to visit.

"Such bad luck," they said sympathetically.

"Maybe," the farmer replied.

The next morning, the horse returned, bringing with it three other wild horses.

"How wonderful," the neighbors exclaimed.

"Maybe," replied the old man.

The following day, his son tried to ride one of the untamed horses. He was thrown and broke his leg. The neighbors again came to offer their sympathy on his misfortune.

"Maybe," answered the farmer.

The day after, military officials came to the village to draft young men into the army. Seeing that the son's leg was broken, they passed him by. The neighbors congratulated the farmer on how well things had turned out.

"Maybe," said the farmer.

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LETTER FROM THE CEO

IMG Enterprises, Inc. (IMGE), through its subsidiaries, IMG Citrus; Happy Food, LLC; M&V, LLC; and Cherrylake, operates 10,567 acres of citrus and ornamental plant production. IMG Citrus operates 8,857 acres of the land to produce fresh grapefruit, oranges, and tangerines. The remaining 1,710 acres are managed by Cherrylake to produce ornamental trees, shrubs, and palms. Compared to last year, this acreage includes an additional 4,000 acres because of the purchase of Emerald Grove, Kentucky Grove, and Black Acres Grove, combined together and renamed the Happy Food Grove. These groves were purchased by Happy Food, LLC, a fully owned subsidiary of IMGE. Of the total acreage, 9,239 acres are owned by IMGE, and 1,328 acres are owned by M&V, LLC. During last fiscal year, Phoenix Grove (746 acres) was purchased by IMGE from M&V, LLC in a 1031 Exchange.

On a consolidated level, our revenues reached \$77.4M for FY2019, 21% above 2017/18. Cash flow from ongoing operations (EBITDA) came in at \$13.4M, 35% above 2017/18.

After a 12 year decline because of greening, Florida citrus production increased in 2018/19 to 71.8M field boxes, representing a 55% increase over the previous year. Most of the increase came from orange production, (+59%) as grapefruit production increased by only 16%, reaching 4.5M field boxes. In 2018/19, Texas produced 6.1M field boxes, becoming, for the first time, the largest grapefruit producer in the USA. California remains behind Florida with a production of 3.2M field boxes of grapefruit.

With the acquisition of the Happy Food Grove, IMG Citrus now produces more than 50% of Florida white grapefruit and 25% of Florida red grapefruit destined for the fresh market. Citrus greening has caused us to spend three times as much to produce less than half as much fruit. Although we do not foresee a solution to the disease in the very near future, IMGE is still investing in mature fresh citrus grove acquisitions and the re-development of young groves. We are still receiving a positive internal rate of return on our investments thanks to high fresh fruit market prices, substantial government grants, and tax incentives for planting new groves.



In FY2019, IMG Citrus achieved sales revenues of \$31.4M, a 40% increase from the prior year, and an EBITDA of \$1.9M compared to \$5M in 2017/18. The decreased EBITDA can be explained by higher production costs in the groves (\$961K), higher overhead expenses (\$707K), and lower fruit return back to the tree (\$13.34 per field box compared to \$16.30 in 2017/18). The lower average fruit return was mostly for fresh oranges and tangerines, as well as grapefruit eliminations.

The U.S. Department of Agriculture (USDA) projects the 2019/20 Florida citrus crop to be slightly larger than last season; however, IMG Citrus projects to pack 82% more fruit than last year because of our new grove acquisitions. We also forecast to increase our import business by 59% from 376,000 to 700,000 cartons. For this coming season, IMG Citrus is budgeting a 49% increase in sales to \$46.8M, above our record sales of \$44.4M in 2014. The EBITDA for FY2020 is budgeted at

\$6.7M.

In FY2019, Cherrylake achieved record-breaking sales revenues of \$46M, a 10% increase compared to FY2018. In FY2019, Cherrylake generated an EBITDA of \$14.8M, compared to \$3.5M the previous year. In 2017/18, results were impacted by a \$6.8M extraordinary loss booked due to Hurricane Irma. The total impact of Irma, at cost, was estimated at \$8.6M.

Although the market for landscaping products and service remains relatively positive, we expect a slowdown in the near future; for this reason, in FY2020, we budgeted the same level of sales with a decrease of 15% of the EBITDA to \$12.6M.

On a consolidated basis, for FY2020, IMGE has budgeted total sales at \$92.7M (a 20% increase compared to the prior year) and a consolidated EBITDA of \$25.3M, including \$9.7M of extraordinary income generated by a real estate sale (\$7M) and insurance proceeds (\$2.7M).

In FY2019, IMG Enterprises spent \$39.1M on capital expenditures, predominantly for IMG Citrus' Happy Food Grove acquisition (\$35.9M) and for grove redevelopment. To finance the acquisition of the Happy Food Grove, IMGE took a \$21M long-term loan from the Prudential Insurance Company with a fixed interest at 4.48%. For FY2020 we budget \$8.6M of capital expenditures, \$4.8M for IMG Citrus and \$3.8M for Cherrylake.

In FY2019, IMGE entered into a contract with

Continental Properties to sell 29 acres of land in Ellenton, Florida, for a multi-family project. The contract price is \$7.1M, and the closing is scheduled for May 2020.

In FY2020, IMGE projects to reduce its long-term and short-term debt by \$9.9M. On June 30, 2020, we budget to have a leverage ratio of .80 and an EBITDA to Senior Debt Service ratio of 5.40, compared respectively to 1.20 and 4.08 on the same date in 2019.

For the past seven years, we have used the Employee Net Promoter Score (ENPS) to measure the satisfaction and engagement of our employees. A positive ENPS (higher than zero) is generally deemed good, and an ENPS of +50 is generally deemed excellent. In May 2019, the ENPS of IMGE was 58%, 54% for Cherrylake, and 72% for IMG Citrus. The prior year, our ENPS was 56% for IMGE, 50% for Cherrylake, and 85% for IMG Citrus.

We use the same methodology to measure our customers' satisfaction. Cherrylake had excellent results with a CNPS score of 80% in June 2019, compared to 62% the prior year. In June 2019, IMG Citrus had a negative score of -12%, compared to 6% the prior year. We had an excellent score from our domestic customers at 57%, but we received a very low score from our international customers, -40% in Asia and -25% in Europe. The main reason for these negative scores was our lack of availability of fruit and our high price following Hurricane Irma. These past two years, to promote our import program and reduce our risk, we made the strategic choice to

give priority to our domestic customers, negatively impacting our international customers. We also had a major MRL (maximum residue limit) issue in Japan with fruit grown by an outside grower. IMG Citrus intends to reverse this negative trend this coming season as we have much better availability of grapefruit for export because of our recent grove acquisitions.

We are continuing on our journey to move from a traditional command-and-control structure to a self-management organization, allowing our teams to better adapt to rapid changes, future challenges, increased complexity due to diversification, and sustainable continuous growth. Our vision is to promote trust over control, strong processes over a hierarchical structure, earned authority over positional authority, and full transparency in information sharing. Implementing a self-management culture is a long-term project, but I am happy to report that we are making progress in moving in that direction.

I express my sincere appreciation to our senior leaders, employees, customers, suppliers, creditors, and shareholders for their continued support and confidence.

Michel Sallin
Chairman and Chief Executive Officer
IMG Enterprises, Inc.



BOARD OF
DIRECTORS

Michel Sallin
Chairman of the Board

Veronique Sallin

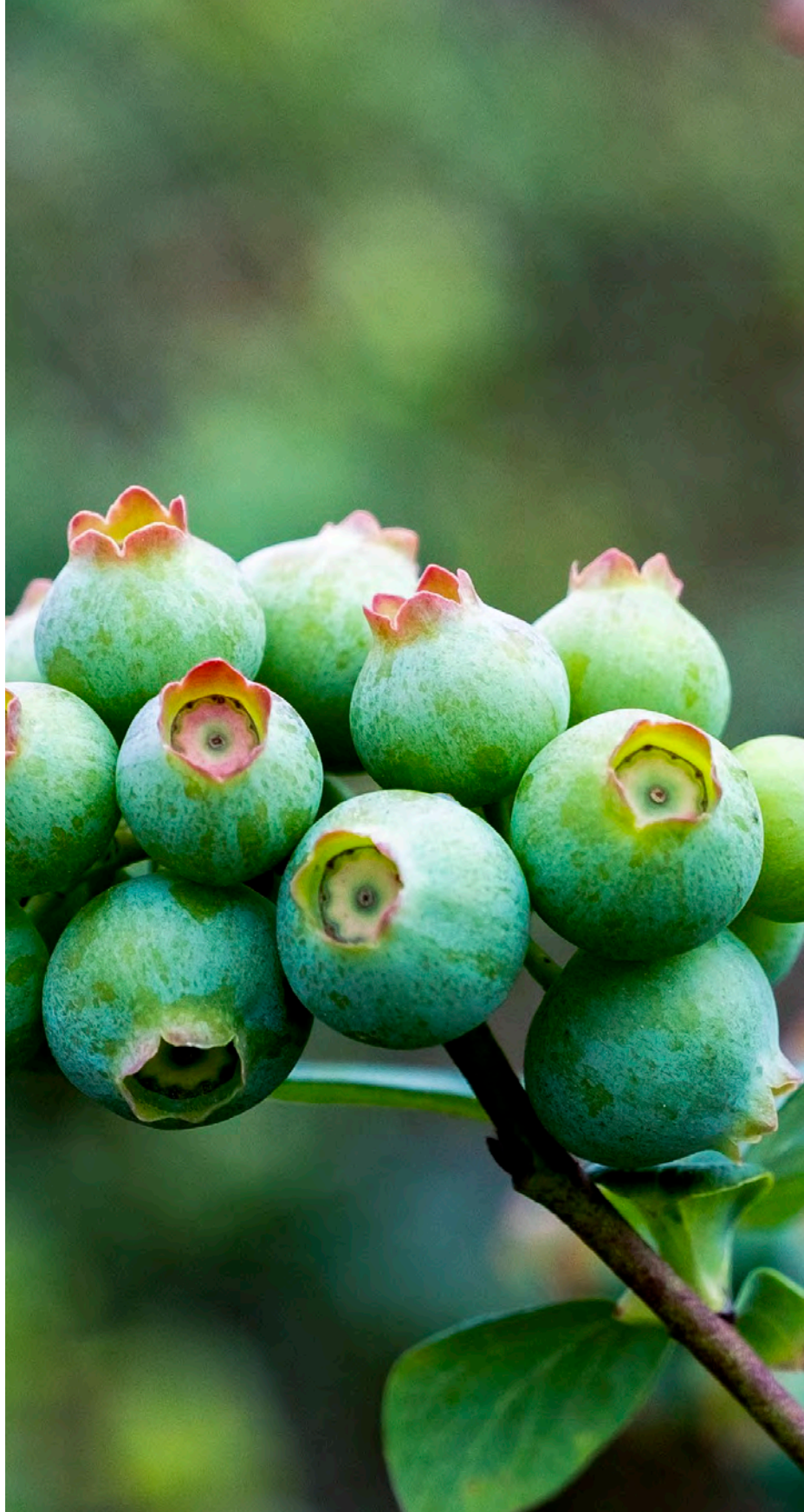
Chloe Gentry

Chuck Allison

Melanie Ressler

Timothee Sallin

Todd Gentry



OUR HERITAGE

Celebrating 40 years

Our history recounts visionary leadership, dedication to agriculture, and a relentless ability to create opportunity out of adversity. Founded by Michel and Veronique Sallin in 1979, IMG Enterprises grew into a multimillion dollar holding company for IMG Citrus and Cherrylake.

Our story begins with the purchase of a 500 acre grove on the rolling hills of Groveland, Florida. We begin as a grower and exporter of fresh Florida grapefruit and quickly establish markets throughout Western Europe. Our young company suffers a devastating setback when the freezes of 1983 and 1985 destroy all of our groves. We look to rebuild and diversify, and we explore the production of a variety of agricultural crops including pecans, peaches, blueberries, apples, kiwis, and grapes. In the end, we choose to venture into containerized tree farming on the Groveland property, while relocating the citrus operation to the warmer Indian River County.

In November 1985, Cherry Lake Tree Farm is born as we plant our first trees on 10 acres of the frozen citrus land in Lake County Florida. From the very start, the farm demonstrates an unwavering commitment to growing the highest quality container trees, using the most advanced technologies, the best and the newest cultivars, and to developing high performance root systems through root enhancement techniques.

In the years to come, IMG Citrus purchases a packinghouse in Vero Beach, Florida, becoming a fully integrated citrus company which grows, packs, and markets fresh Florida citrus around the world. Similarly, Cherrylake continues its diversification with the introduction of shrubs and palm product lines, as well an outsourcing and landscape construction division. The past guides IMG Enterprises to recent years with import diversification at IMG Citrus, landscape maintenance diversification at Cherrylake, and this year's Happy Food Grove acquisition.

We embrace our company's rich history which continues to take root and grow as we persevere with each passing year. Each of our challenges has allowed us to emerge stronger, more diversified, and more resilient. Each of our successes has allowed us to celebrate the accomplishments of our team and prepare ourselves for the next set of challenges. Our future is bright at IMG Enterprises, and our heritage inspires us to keep moving forward.



1979

IMG Enterprises is born



1983 & 1985

Devastating freezes



1985

Cherry Lake Tree Farm diversification



1992

Hail storm destroys 75% of saleable inventory at Cherrylake



1998

TQL diversification



1999

Packinghouse purchase



2003

Outsourcing diversification



2004

Four hurricanes hit the state of Florida



2005

Construction diversification



2006

Canker eradication & palm
production diversification



2008

Shrub product line
diversification



2014

Import diversification



2015

Landscape maintenance
diversification



2018

Orlando Business Journal ranks
IMG Enterprises #12 Largest
Family-Owned Business in
Central Florida



2019

Happy Food Grove
purchase

VISION STATEMENT

We are a sustainable, diversified, family-owned enterprise, rooted in the land and agriculture, which contributes to the health and well being of people and the environment.

Our products, services, and culture connect people (employees, customers, and the community) with Nature for a healthy, happy, and sustainable life.

We are entrepreneurs and believe in vertical integration, branding, certification programs, continuous improvement, and disruptive innovation.

We have a risk management strategy. We do not take any risk we cannot afford or which threatens our sustainability. We build multiple options for our assets and have a plan to monetize dormant assets and assets non-essential to our core business.

We operate according to the principles of lean and flow.

We are organized along with the principles of self-management, autonomy, collaboration, and entrepreneurship.

We provide opportunities for our employees to achieve their professional and personal goals and have fun doing it. We create a workplace culture that inspires people to grow.

We value our agriculture workers and equip them with resources, tools, and skills to improve their quality of life. We set an example for other agricultural employers.

We pursue innovation, science, and technology in horticulture and agricultural production methods. We focus on plant health, environmentally friendly practices, reducing chemical and water use.



OUR CORE VALUES

We communicate openly and honestly

We believe in teamwork and respect for the people

We are passionate about what we do

We always propose a solution

We embrace change, learning, and innovation

We foster beauty, cleanliness, and safety of our environment

We encourage entrepreneurial decision making



IMGE FINANCIAL REPORT

Melanie Ressler
Chief Financial Officer

The consolidated group of IMG Enterprises, Inc. and M&V, LLC showed strong financial results in FY2019, resulting in both top line revenue growth and EBT growth. The company achieved consolidated net sales of \$77.4M in FY2019, a 21% increase over the prior year result of \$64.2M. Consolidated EBITDA in 2019 came in at \$13.4M, which was a 35% increase over the prior year at \$9.9M. 2019 EBITDA included insurance proceeds relating to the Tree Farm insurance claim with Lloyds of London in the amount of \$2M and \$2.9M of Federal Disaster Assistance funds from the Wildfire and Hurricane Indemnification Program and Citrus Block Recovery Program.

The company reinvested \$39M in capital expenditures, including \$3.6M of equipment, \$31M of acquisitions of mature citrus groves, \$3.1M of new citrus grove development, and \$1.1M of new buildings and improvements. Capital investments were also made in tree farm section expansions, irrigation modernization, and packinghouse improvements.

The company paid \$1.7M in interest in 2019 and paid down \$2.1M in long-term debt. \$23.5M of new financing was taken in relationship to the acquisition of the Happy Food Grove which included a \$21M note to Prudential at 4.80% and \$1.48M note to Rabobank Agrifinance, swapped at an effective interest rate of 4.415%. Additionally, the company increased its credit line facility from \$22M to \$28M to account for the increased activity related to the grove acquisition. The company credit line usage at year end was \$15.7M, representing a \$1.3M increase over prior year.

The company's Leverage Ratio deteriorated slightly from 0.85 to 1.20 (bank covenant



1.45 MAX) EBITDA to Sr. Debt Service increased from 3.20 to 4.08 (bank covenant 1.25 MIN).

As we enter FY2020, the company expects further strengthening of the balance sheet. Sales are projected to increase to \$92.7M, a 20% increase over the prior year mainly attributed to increased sales in the citrus division. EBITDA is expected to achieve \$25.3M, which includes \$1.9M in Hurricane Irma recoveries and \$7M in gain on the Ellenton land sale.

IMG Enterprises, Inc. will continue to invest in growth, budgeting \$8.6M in capital expenditures for 2020. This will include \$2M in new grove redevelopment, \$3.8M in equipment, and \$2.1M in new buildings. The company will pay \$4.5M in debt service, generating a net cash flow of \$8.2M which will result in a credit line balance at year end of \$7.5M. ◆



FINANCIAL HIGHLIGHTS: IMG ENTERPRISES, INC. AND M&V, LLC

For the 12 months ending June 30th (in 000's except ratios)

CONSOLIDATED INCOME & CASH FLOW STATEMENT

2019 Net Sales Actual

\$77
million

	Forecast 2020	Actual 2019	Actual 2018
Consolidated Net Sales	92,716	77,389	64,177
Consolidated Gross Margin	28,884	25,919	22,455
Consolidated EBITDA	25,286	13,422	9,923
Consolidated EBIT	20,397	9,957	6,913
Extraordinary Items (included in EBITDA)	9,718	167	(2,413)
Net Income	17,812	8,241	5,349
Total Capital Expenditures	8,604	39,072	8,875

CONSOLIDATED FINANCIALS @ BOOK VALUE

2019 EBITDA Actual

\$13
million

	Forecast 2020	Actual 2019	Actual 2018
Total Assets	137,276	132,894	96,745
Senior Debt	50,181	60,117	36,974
Total Liabilities	61,007	72,431	44,450
Book Value Equity	76,269	60,463	52,296

CONSOLIDATED SELECTED RATIOS @ BOOK VALUE

2019 Total Assets

\$133
million

		Forecast 2020	Actual 2019	Actual 2018
Leverage Ratio	Max. 1.45	0.80	1.20	0.85
EBITDA to Senior Debt Service	Min. 1.25	5.40	4.08	3.20

CONSOLIDATED BALANCE SHEET @ BOOK VALUE

As of June 30th (000's of dollars)

	Forecast	Actual	Actual
	2020	2019	2018
CURRENT ASSETS			
Cash & Cash Equivalent	-	734	164
Deposits/Prepays	2,085	702	3,604
Accounts Receivable	10,234	9,777	12,023
Inventory @ Cost	30,797	30,727	22,803
Other Receivables - Related Party	7,285	7,794	7,992
TOTAL CURRENT ASSETS	50,401	49,734	46,586
PROPERTY, PLANT & EQUIPMENT			
Net Book Value of Depreciable Assets	7,352	7,352	5,295
Real Estate & Improvements @ Book Value	79,523	75,808	44,702
TOTAL PP&E @ BOOK VALUE	86,875	83,160	49,997
OTHER ASSETS			
	-	-	162
TOTAL ASSETS	137,276	132,894	96,745
LIABILITIES			
Accounts Payable & Accrued Expenses	10,826	12,314	7,476
Long Term Debt to US Banks	42,520	44,458	22,647
Line of Credit with US Banks	7,661	15,659	14,327
TOTAL LIABILITIES	61,007	72,431	44,450
EQUITY @ BOOK VALUE			
TOTAL LIABILITIES & EQUITY	137,276	132,894	96,745

2020 Net Sales Forecast

\$93
million

2020 EBITDA Forecast

\$25
million

2020 Total Assets Forecast

\$137
million

CONSOLIDATED INCOME STATEMENT

	Forecast	Actual	Actual
	2020	2019	2018
Total Net Sales	92,716	77,389	64,177
Cost of Goods Sold	63,832	51,470	41,722
Total Gross Margin	28,884	25,919	22,455
<i>Selling, General & Admin.</i>	18,205	16,129	13,129
<i>Other Income/(Loss)</i>	823	434	962
<i>Extraordinary Items</i>	8,895	(267)	(3,375)
EBIT	20,397	9,957	6,913
Add: Depreciation	4,889	3,465	3,010
EBITDA	25,286	13,422	9,923
<i>Depreciation</i>	(4,889)	(3,465)	(3,010)
<i>Interest (Expense) Income</i>	(2,585)	(1,716)	(1,564)
EBT	17,812	8,241	5,349
Net Income before taxes	17,812	8,241	5,349

CONSOLIDATED CASH FLOW STATEMENT

	Forecast	Actual	Actual
	2020	2019	2018
EBITDA	25,286	13,422	9,923
<i>Accounts Receivable</i>	(457)	2,578	(4,029)
<i>Inventories</i>	(70)	(7,924)	6,441
<i>Accounts Payable / Other</i>	(2,870)	7,569	(521)
Total Working Capital Change	(3,397)	2,223	1,891
<i>Capital Expenditures</i>	(8,604)	(39,072)	(8,875)
<i>Gain (Loss) on Sales / Other</i>	0	283	0
Investing Activities	(8,604)	(38,789)	(8,875)
Net Operating Cash Flow	13,285	(23,144)	2,938
<i>Loan to Shareholders / Euro</i>	(1,498)	125	(74)
<i>Gain / Loss Sales / Other</i>	-	2,126	42
<i>Long Term Debt (Borrow / (Repay))</i>	(1,938)	21,847	(6,378)
<i>Credit Line</i>	(7,998)	1,332	5,315
<i>Interest Paid</i>	(2,585)	(1,716)	(1,738)
Total Corporate Activities	(14,019)	23,714	(2,832)
Net Change in Cash	(734)	570	106



ORGANIZATIONAL DEVELOPMENT

Chloe Gentry

Director of Marketing &
Organizational Development

Our enterprise is involved in agriculture, construction, and manufacturing with an employee base of over 500 comprised of year-round, seasonal, H-2A, and H-2B staff. Together, accountants, landscape laborers, purchasers, graphic designers, fruit packers, horticulturalists, and mechanics make up a beautiful collection of talent and passion. This large and diverse workforce, within a multi-faceted enterprise, brings many opportunities to our teams as they learn from each other, collaborate together, align themselves to our company purpose, and grow their careers. We consider it the responsibility of each employee and leader to seek these opportunities. It is the role of the Organizational Development Team to track, support, and encourage those opportunities in order to ensure our community of employees grows symbiotically with the operational growth of our companies.

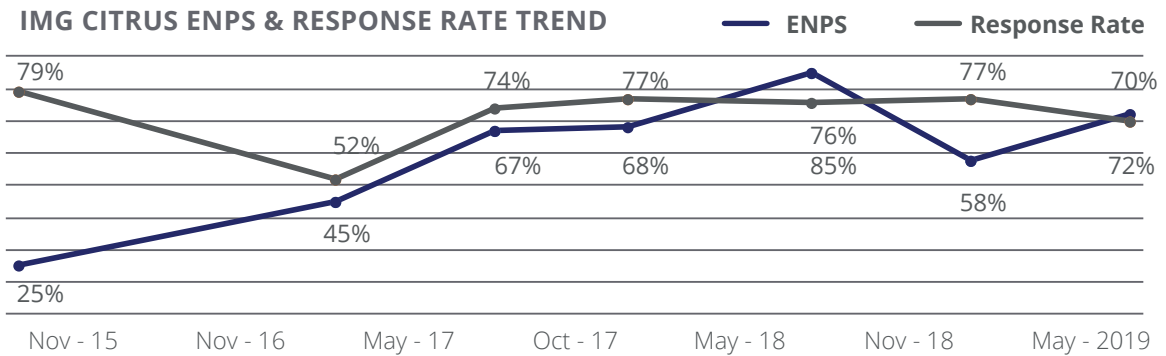
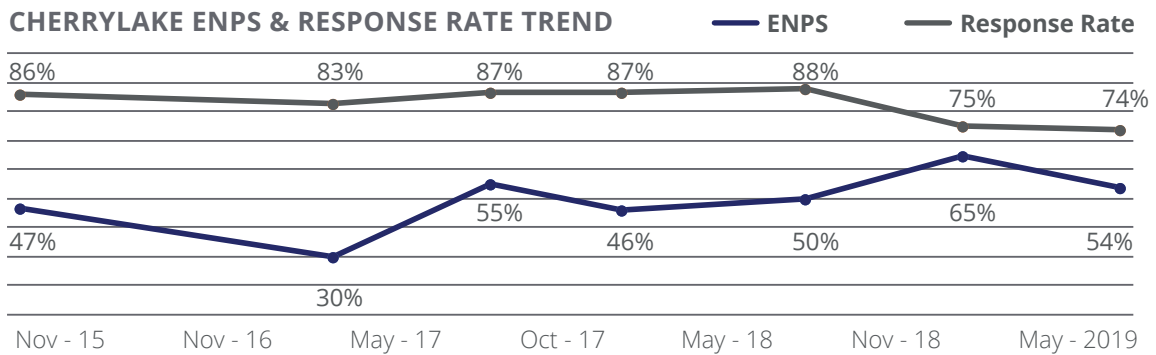
ENPS: KEEPING A PULSE ON EMPLOYEE ENGAGEMENT

The Employee Net Promoter Score (ENPS) is a metric of employee satisfaction and is our strongest indicator to track the effectiveness of

our Organizational Development initiatives. It is an index ranging from -100 to 100 which measures the willingness of employees to recommend our company as a place to work and something we have been conducting for over 7 years. It is used as a proxy for gauging an employee's overall satisfaction with the company as well as an employee's loyalty to the brand. There are very few benchmark standards in our industry. ENPS benchmarks are more readily accessible for large, high tech companies such as Facebook (53%), Google (42%), Microsoft (18%), Apple (3%), and Uber (-20%).

As we develop history in our ENPS program, we gain better capabilities to assess the progress or decline in our employee engagement via the ENPS. Currently, at the enterprise level, we are maintaining our ENPS in the mid to high 50s.

The trend at Cherrylake is positive. We reached a low of 14% NPS in April 2013, and we have since continued to climb. This is likely due to a positive market, increased leadership development programs, and an increased attention to hiring for cultural alignment.



IMGE ENPS

May 2019	58%
Nov 2018	63%
May 2018	56%
Oct 2017	50%
May 2017	57%

IMG Citrus' ENPS shows encouraging progression, likely reflecting our intentional push to communicate the company's long-term strategy to remain in the industry, increased Organizational Development programs, and the departure of employees who were unsatisfied and unaligned.

Perhaps just as powerful as having a lag indicator to measure the effectiveness of the Organizational

Development initiatives, the ENPS provides an opportunity for employees to share comments and feedback to help us improve. Our employees continue to be engaged in the ENPS process, and we continue to create action plans based on their comments such as improved ladder equipment in loading or an overhaul of our Attendance Policy in order to address perceived inequalities between departments.

ORGANIZATIONAL STRUCTURE: ENCOURAGING GROWTH & SELF-MANAGED TEAMS

We know the future of the organization will be dynamic. We are expanding the last non-productive areas of our Groveland farm into additional ornamental trees and citrus. We are transitioning Southern Hill Farms and Sunridge Farm, and we are building a new Operational Hub and Employee Housing Complex. We have ambitious goals to grow Cherrylake Maintenance to \$15M,



Cherrylake Outsourcing to \$10M, and Construction to \$20M. We plan to simultaneously continue the optimization of inventory flow at Cherrylake and sell products on time at the highest possible price to customers who pay, align with our values, and align with our purpose. Soon we will begin developing our direct to consumer retail strategy and agri-tourism activities. These opportunities and growth initiatives have the potential to nearly double our revenues at Cherrylake by 2025.

Meanwhile, we are expecting rapid growth and transformation at IMG Citrus. We are trialing new grove planting methods, for instance containerized groves, investing in the newest packinghouse technologies, such as the MAF pre-grader, and exploring new labor programs, such as H-2B. Industry consolidation, new grove plantings, grove acquisition, and the development of the import program will drive the renaissance of this business.

In order to lead a growing and diversified organization, we will need highly effective leadership teams and new organizational structures. We believe the values of autonomy, self management, distributive decision making, collaboration, and equality are the best ways to lead our organization. These principles build resilience, foster innovation, creativity, and growth. There are many ways an organization can incorporate these principles, and we are working on providing the resources for our teams to organize around the principles of self-management.

As the organization has grown at Cherrylake, we have recognized it is increasingly difficult to adequately

address all the needs within the organization during a single weekly Senior Leadership Team meeting. In April 2019, we created several operational leadership teams which focus on the various profit centers within Cherrylake. There are currently 4 profit centers: Farm, Construction, Maintenance, and Outsourcing. Each of these areas now have an Operational Leadership Team to help guide it. These teams focus on the execution of strategy and the profitability of their group. The previous Leadership Team, or Senior Leadership Team, continues to meet quarterly to address overarching issues, coordinate strategies, and promote integration and collaboration between the groups and shared services. This new organizational structure has brought more focus to the operations and allows new leaders to contribute. The collective experience, knowledge, and operational roles of these leaders equip them to make excellent decisions and lead us in sustainable growth.

This past year at IMG Citrus, employees have worked on developing CLOUs, a stepping stone towards building self-managed teams. The Colleague Letter of Understand (CLOU) is a mission statement each employee crafts, stating what they believe is their fundamental purpose within the enterprise. This is intended to be their primary guiding light - the statement should be the direction for all of their work activities. It documents the key activities the employee agrees to accomplish and identifies key metrics by which their performance can be measured. By being something that is shared, it becomes a commitment to their colleagues. The

work IMG Citrus has done on the CLOU provokes the team to think about each colleague's strengths, weaknesses, passions, and expertise. Through this, the team is building trust and compassion. They are laying the foundation for distributive decision making, where self managed individuals seek advice, collaborate, and make the most important decisions as a group.

We acknowledge leadership is a limitless resource, transcending the organizational structure of an organization. Everyone is a leader because leadership is something we can grow and nurture in ourselves and others. This can be in the form of an idea, a suggestion, a positive attitude, a smile, a word of encouragement, or appreciation. It can be a job well done, a bit of advice, or a strong stand to promote our purpose and live our values. With this in mind, we continue to bring opportunities to our teams at all levels to develop leadership and communication skills. This past year, these opportunities included continued sessions with our

“We acknowledge leadership is a limitless resource, transcending the organizational structure of an organization. Everyone is a leader because leadership is something we can grow and nurture in ourselves and others.”

Above: *Krysti and James at Cherrylake's annual Family Fiesta, where over 400 employees and their families come together.*

Left: *The Cherrylake Sales Team celebrates another record breaking year with fun and games.*

Right: *Sydney taste tests our white grapefruit in the Happy Food grove, one of the many perks of working on the job.*

bilingual Life Coach, the introduction of a Dream Coach to a test group of employees, as well as in-house and third party training sessions on topics such as providing constructive feedback and lean management.

STRONG & STABLE LABOR: EXPANDING H-2 PROGRAMS

Cherrylake completed its sixth H-2B contract and third H-2A contract in November/December 2018. The annual administrative cost of these programs in FY2019 was \$278K for a total of 100 workers (77 H-2A/23 H-2B) over a period of 9-10 months. These costs include consultant fees, visa fees, in-bound/out-bound transportation, housing, and meals.

Currently, the state of Florida uses the H-2A program the most, with over 31,000 visas issued in 2019, a 30% increase from the prior year. Due to our tenureship using the programs, IMG Enterprises carries a significant competitive advantage as we see more and more of our competitors moving towards the program to address their labor shortages, especially in ornamental farming, landscape construction, and landscape maintenance.

Our team has become highly skilled at managing the H-2 programs, allowing us to minimize the risk of compliance error and punitive fines; however, the programs carry considerable risks due to their reliance on federal policy and agencies.

One of these risks is the statutory numerical limit (cap) set on H-2B visas which limits the total number

of foreign nationals who may be issued an H-2B visa during a fiscal year. This risk becomes increasingly large as more and more employers use the H-2B program. Currently Congress has set the H-2B cap at 66,000 per fiscal year, with 33,000 for workers who begin employment in the first half of the year (Oct 1 - March 31) and 33,000 for workers who begin employment in the second half of the fiscal year (April 1 - Sept 30).

This year, our H-2B program start date was delayed to April 2019 (traditionally February) due to the cap of H-2B visas being met in the first quarter of the calendar year. In addition, we carried a risk the cap would again be met prior to our April job order being accepted. Indeed, on January 1st, 2019, the U.S. Department of Labor iCERT system had an unprecedented demand for H-2B certifications with more than 97,800 workers requested for the 33,000 available visas. This literally caused their system to crash, and it became a real possibility our H-2B start date would be delayed to September 2019. After one month of uncertainty, in February 2019 we thankfully received confirmation we were approved for our 27 H-2B workers to start in April 2019.

The H-2A program does not carry visa caps, which makes it a considerably less risky program to rely on for labor; however, the H-2A program can be costly because it requires the employer to house the workers. In FY2019, housing accounted for 40% of the total expenses of the H-2 programs. We currently house our H-2A employees at a local motel, and we provide 3 meals daily to compensate



for the fact the housing does not have a kitchen for the employees' use. Although an adequate and fair solution for the past 3 years, we recognize there is an opportunity for us to control our costs while also improving the employee quality of life if we could own the housing.

On August 21, 2018 we received unanimous votes from the Groveland City Council to allow our rezoning request (from Ag to Residential) to build Farm Condos on 2.3 acres of our property. This housing facility will be used for our H-2A workers, and it will provide overflow for H-2B workers as well as other company guests. We estimate the project to be completed in February 2020. This project will allow us to lower the cost of our H-2A program with an estimated 8 year payback on the \$1.815M investment. It will also allow us to have more flexible work schedules by department, and it will permit us to launch our field lunch station, an incentive estimated to save the farm over \$100k per year in non-productive travel time to and from lunch.

At IMG Citrus, the packinghouse is considering H-2 programs to help alleviate a shortage in qualified labor. The shortage of labor at IMG Citrus is further accentuated by our strategic direction to prolong the import season and delay the Florida season, ultimately shifting qualified labor to the packinghouse earlier in the season.

We believe the H-2 program can be successful for the IMG Citrus Team, the packinghouse, and the groves. We believe the risks on the H-2B cap is smaller due to the peak packinghouse season of citrus being in

the Fall and Winter months, when there are fewer petitions for H-2B visas; however, finding adequate and convenient housing for an H-2A grove program will be challenging.

As we work on building the IMG Citrus H-2 program, the components we must prioritize include a strong foresight on the season's labor needs and dates (i.e., at least 75 days prior to date of need). In the meantime, the estimated hourly cost of the H-2B program at IMG Citrus is \$14.40, providing us guidance on the average hourly rate we should offer our domestic employees as we continue to work towards building a strong core group of workers.

LOOKING FORWARD: CONTINUED EMPLOYEE GROWTH

As we look forward to FY2020, we know we will continue to increase our employee base. We have an immediate need to increase our year-round core domestic labor for all operational companies which are currently short staffed. Our employee growth will also stem from our goals of expanding our Landscape Maintenance Group and increasing our volume of citrus packed. In FY2020, we will ensure we are providing competitive wages and stellar opportunities for employee well-being. We will challenge ourselves to bring more leadership skills and training to our current staff, so our growth plans can include a growth in their career as we create new leadership positions. We will continue to bring innovative and growth mindset solutions to build our strong and stable workforce, whether it be via an H-2 program for the packinghouse, more wellness programs, or more training opportunities. ◆



FARM RACES

Caraline Jones
Marketing Manager

On February 9, 2019, Cherrylake hosted its annual Cherrylake Farm Races for the third consecutive year. The initiative started in 2017 with just over 100 participants. Reaching over 450 participants in 2019, the event has grown rapidly and includes participants from all over the region, across the U.S., and Canada.

For each participant, we donate a tree to be planted through our 1,000 Trees for 1,000 Years program. To date, we have donated over 4,000 trees with 3,000 additional trees scheduled for FY2020.

More than just a fun community event, the Farm Races is a highly strategic project allowing us to better brand ourselves as a leader in environmental sustainability as well as connecting people with local agriculture, nature, and the act of beautifying their community. The Farm Races also provide us with the opportunity to encourage wellness initiatives amongst our employees and local organizations. These efforts help us promote our company culture and recruit individuals who have similar values to Cherrylake.

The Farm Races' overwhelming success is a great accomplishment by our team, permitting us to test the waters for new business diversification focusing on agritourism and retail gardening. In 2020, we plan to continue to grow the event, and we anticipate up to 600 participants.





TECHNOLOGY UPDATE

Jim Lieffort

Director of Planning & IT

Keeping pace with technology has always been a high priority for IMG Enterprises. As a result, the process of continually upgrading and improving our information systems have become part of our culture in IT. In 2019, we saw several crucial system upgrades and improvements. At Cherrylake, the Acumatica ERP system is undergoing its second of two major upgrades. Upon completion, the system will be better suited with new functionality to more effectively service our Construction and Maintenance Groups, providing one fully integrated project account system. At IMG Citrus, plans are already underway to upgrade Dynamics NAV. This upgrade will provide us with an opportunity to take a step back and review our existing process at the packinghouse. We can further develop what has already proven to be a tremendous improvement over the antiquated CitrusPro fruit accounting software used several years earlier. Upon completion of this project, the IMG Citrus Team will be utilizing the most recent ERP platform available from Microsoft: Dynamics 365 Business Central.

At the outset of the fiscal year, the IMG Citrus Team did not have an adequate solution for an available for sale system in Dynamics NAV. Several attempts were made at building Excel based reports to match on-hand inventory with outstanding sales orders,

but there was no well-defined or unified approach to account for projections. The reports in use at the time were too inflexible for sales and did not provide all the information needed to plan future orders. They were also difficult to use and keep up-to-date. The IT Team began work on a simplified reporting tool to provide a real time view into the inventory pipeline. With the help of the IMG Citrus Team, a plan was devised to begin capturing the packinghouse projections within Dynamics NAV. The new data points, combined with on-hand inventory, sales, and purchasing information, were leveraged in a single web-based system to give sales representatives multiple views into currently available and projected inventory by warehouse, market segment, and product line. Having instant access to all of this information in one place, fully up-to-date, and properly organized has proven to be tremendously valuable to sales, helping them readily identify inventory gaps and correct improper allocations on orders.

Historically, IMG Citrus had utilized as many as five different tools to plan, issue, and track fertilizer and spray work orders in the grove. The lack of any real integration between these numerous disparate systems resulted in a duplication of data entry tasks. A work order issued from one system used



Above: Estimator, Richard, and Director of Construction Admin, Aaron.

for planning grove operations would necessitate additional data entry in another system used for cost accounting or inventory management. The solution for this data duplication and inventory cost accounting conundrum was to adapt the previously unused service module available within the Dynamics ERP platform for use as a grove work order system. With some minor tweaks, this framework proved to be a good fit for the task of building a spray application given its native integration to the grove and task setups already used in grower accounting. The integration with other data points already defined elsewhere in the Dynamics NAV meant rolling out new reports would be quick, simple, and effective. With the proper tools in place, the new process has eliminated duplication of work and unified all data entry under one roof. The new method also provides the information necessary to build numerous reports ranging from time-sensitive fertilizer application stats to restricted chemical use, safety, and compliance information.

To further streamline our Accounts Payable

processes at Cherrylake, we have taken a second look at the way purchase order documents are received and ultimately approved for payment. In the past, it was incumbent upon an employee from the AP Department to match up incoming invoices with the appropriate internal purchasing agreements, and then they would assign someone within the respective branch as the document's approver. Since purchasing and accounting activities are handled by different teams within the organization, this inevitably led to a lot of confusion and numerous unnecessary touch points between departments when clarifications were needed to process internal documentation. By redefining where and how the approvals are assigned within the Acumatica ERP system, purchasing agents are now able to associate vendor invoices directly to internal purchase order documents and assign the appropriate individual for approval all in one step. Thus, all necessary information is known at the moment of the AP document's creation, and no further documentation or input is required from the AP department before a document can be

approved and released for payment. As an added benefit, new approval reports were built which display all the relevant information necessary to approve each document within a single view. This new process design facilitates the most efficient use of each employee's time and effort throughout the Purchasing and AP Invoice approval process.

We have spent time improving several of our home grown farm and field specific web applications at Cherrylake. One such enhancement has special implications for employee safety as it pertains to our field staff. Part of our nursery business necessitates the use of certain restricted pesticides which may be hazardous to human health. In an effort to better communicate when chemicals are being applied in particular sections on the farm, we have built and integrated a new web based mobile application for our spray techs to record REIs (Re-Entry Intervals) during routine sprays. In addition to providing valuable data for productivity reports, the information collected with this tool is fed back to the loading crews who are responsible for entering these areas on the farm to retrieve inventory during the order fulfillment process. If there is an active REI in a section that a crew member has been assigned to pull saleable inventory from, the tools alert them to the potential hazard. We have also implemented the Ubiquiti UniFi Video System at Cherrylake, and it is soon to be implemented at the IMG Citrus packinghouse. We did a complete overhaul on our surveillance system, upgrading an antiquated analog system with new digital network IP cameras. This surveillance system offers



TASK ON TIME AT THE FARM

James Walker
Planning Manager

There are thousands of lots shifted and pruned every year, so having a more streamlined process is extremely valuable. Over the last year, we've been working on our Large Container and Small Container maintenance Task on Time (TOT) system. With this infield data collection, we are able to compare our maintenance field hours and our payroll hours, discerning our value added time in field. We are able to track our trees per hour by each crew leader, allowing us to set goals, undertake gamification, make changes, and measure our standards. Every year, we load the following years shifting budget using various imports, which are linked to excel files. We do some minor manipulations to confirm everything is shifted to the correct size per the Master Plan. The Master Plan is

better accessibility, allowing HR Staff and managers to more easily find footage they may need in full 1080p HD for clarity. The last major upgrade we had for the organization was upgrading from our dated ShoreTel Voice over IP (VoIP) system to a newer system called Mitel, as well as upgrading to a newer host server. This allows us to support new phone system hardware as the company grows and adds features which were previously unavailable for enhanced usability and management.

There are many technological threats and challenges to a modern business in our interconnected world, and these obstacles come in many shapes and forms. Ransomware, in particular, has received a lot of media attention in recent years. The idea of Ransomware is relatively simple. Attackers send an email with an attachment, which then runs a small script containing a command to launch a native application built into most modern computer operating systems. The desired purpose of this application is to securely encrypt files with a user defined password, making them impossible to read by any unintended recipient who might encounter such documents. The problem is only the attacker knows the encryption algorithm and password. All of this takes place in the background, unknown to the user, after the email attachment has been opened. After some time has passed and the application has been able to encrypt a large number of files, the user will invariably attempt to open one such file and the operating system will ask the user for a password needed to decrypt the file, which was created by the attacker, or alternately display indecipherable content. In some instances, the file itself or an adjacent file will prompt the user with a message asking for ransom

designed to make sure we utilize our space on the farm to the best of our ability while providing the right plant material mix for our customers. However, at certain points during the production cycle, we have some flexibility to make some changes to the plan.

There are a lot of factors and steps within this process, and in the past, we used a lot of pen and paper to communicate recorded information. The Crew Leader would take notes, and then someone would enter it into the system. If there was an issue, the Crew Leader would contact someone from the field and try to find a solution. Now our Team Leaders assign work to Crew Leaders. Crew Leaders then record completion status in an

application, importing the recorded information into the system. Once the information is in the system, the Team Leader can approve the work. Now we can compare by Team Leader our equivalents per hour in relation to each activity and decipher ways to improve our process. With data collection in the field, it streamlines the work and creates less data entry errors. This also allows more time for the Team Leader and management to focus on the quality of the work being accomplished and better forecast the work that will be needed. With today's fully integrated ERP package, Acumatica, we are capable of bringing real time data to every Crew Leader and manager, no matter where they are on the farm.

“Furthermore, advanced planning and early adoption of proper management strategies have historically prevented the loss of work in our business due in part to our long term cloud hosting initiatives.”

money in exchange for the password, hence its name, “Ransomware”. Since these attacks use native operating system functions, and often use email as an entry point, they can be very difficult to prevent. Thankfully, the IT Team has measures in place to take regular backups of all servers and network file shares. Thus, anytime this occurred in the past, we were able to quickly and easily restore all lost information.

Furthermore, advanced planning and early adoption of proper management strategies have historically prevented the loss of work in our business due in part to our long term cloud hosting initiatives. A few years ago, the decision was made that housing our server hardware and supporting crucial enterprise accounting, CRM, inventory, and project management systems "in-house" presented a large threat to the organization. Our buildings are located in some of the most hurricane and lightning prone areas of the world, and torrential rains and frequent electrical storms have plagued our area for decades. Water and electrical surges do not lend themselves to the preservation and upkeep of sensitive electronic equipment. Thus, we

migrated all of our mission critical ERP systems to AWS (Amazon Web Services). Their redundant and hardened data centers located around the globe are staffed 24/7 by world class professionals and maintain a proven track record of providing the highest sustained uptime in the industry (>99.99%). We can rest easy when storms brew on the horizon knowing our systems are hosted securely in the cloud. Due to these preemptive measures, our organization has enjoyed a long period of stability in respect to our information systems.

Part of our mission is to provide actionable reports to the various departments which need information on the status of how they are doing. Our goal is to make these reports easy to understand and provide useful insights. Towards that end, we have an initiative to convert almost all of our reports to Microsoft's Power Business Intelligence (Power BI) reporting platform. Power BI has a platform where multiple data sets can be used and correlated to each other, providing opportunities to drill down from big picture information to the detail that adds up to the top level number being presented in the report. This can be very useful in bringing insights

to the business that is the focus of the report. We recently built the first report used to understand our Landscape Maintenance business. The report includes the big picture profitability of all our active maintenance projects, either individually or by group, such as Account Manager, Team Leader, market segment, etc. The report takes data from multiple systems and provides information on enhancements projects, hours budgeted (bid) versus hours actual, payroll overtime versus regular time, and project quality scores. This report is being used every week during our Maintenance meeting, going over every project in our portfolio.

We are still learning all of the useful cases for Power BI. Along with reporting, it also makes use of Artificial Intelligence (AI) to provide insights which might not be readily apparent. Over the past decade, the IT Team at IMG Enterprises has put a lot of forethought into long term technology strategy as it pertains to disaster recovery, business continuity, the usability and accessibility of our systems, and more.

We have engaged with many ambitious goals and adopted countless new technologies over this time period, ranging from server virtualization back in the early days, to web services, hosting, mobile, and cloud computing in our modern era. The process continues everyday. We pride ourselves on being early adopters of new technologies and are always actively in pursuit of new goals. This trend will advance as the company grows and adapts to the challenges and opportunities lying ahead. ◆





ACCOUNTING INITIATIVES

David Van Slambrouck
Director of Accounting

With technological advancements occurring daily, the Accounting Team is continuously learning new ways to improve how we process, report, and analyze information. We continue to reduce our carbon footprint by increasing our digital footprint. Our initiatives are cross-departmental; however, our primary purpose is to increase value for both internal and external customers while simultaneously making it easy to do business with our company.

2019 INITIATIVES

The combination of technology, innovation, and collaboration led to the implementation of new cross-departmental process improvements at IMG Citrus in areas such as grove work orders, sales order approval workflow, import process, and claims process.

GROVE WORK ORDERS

The grove work order process was implemented in the ERP System (NAV), eliminating the need for a separate work order system. The new work order process allows us to track and report on all chemical and fertilizer applications by grove and block. The work orders integrate directly with the system's inventory and improves grove costing.

SALES ORDER APPROVAL WORKFLOW

We implemented a new sales order approval process in NAV using workflows. The new workflow process allows shipped sales orders to be sent through NAV to the sales representative for review and approval. This ensures accuracy prior to invoicing the customer and reduces pricing adjustments.

IMPORT PROCESS

We improved the import process by replacing Excel worksheets with Power BI reports to track grower returns. Power BI is directly linked to the NAV, and it provides enhanced tracking and reporting for the Sales and Accounting Teams. The new process provides user friendly dashboards, eliminating the need for multiple Excel files and manual processes.

CLAIMS PROCESS

A new claims process was developed to improve the tracking and processing of customer claims. Import claims directly impact the grower's return and need to be processed prior to paying the final return to the grower. The new process tracks the claims using credit memos which allow us to record the type of claim, quantity, and associated costs. We are now able to see all open claims on one page in the system and resolve them in a timely manner.

In FY2019, Cherrylake's accounting initiatives, as well as a number of smaller initiatives throughout the year, resulted in a 14% increase in efficiencies over the prior year and an average of 42% since we started our lean initiatives in 2013. The IMG Citrus accounting lean initiatives started in 2018, and in

FY2019, there was a 10% increase in efficiencies.

During 2019, the Cherrylake and IMG Citrus accounting and Sales Teams reviewed, updated, and documented their credit policies. These policies are designed to support sales initiatives while minimizing the credit risk to the company. The policies outline the requirements for establishing credit and provide the guidelines for our collection process.

With the growth of the Cherrylake Maintenance Group and the addition of the IMG Citrus Happy Food Grove, the Accounting Teams reviewed and updated our accounting processes, ensuring accurate revenue and expense tracking. As part of this initiative, new companies were created in our ERP systems allowing for enhanced reporting and analysis.

The privacy and security of information is a high priority for Cherrylake and IMG Citrus accounting. We are continuously improving our processes to ensure the privacy and security of customer, vendor, employee, and corporate information. These improvements include enhancements both internally and externally. In 2019, we implemented "Reverse Positive Pay" for all our bank accounts, which allows us to review and approve all checks prior to posting them to our account. Another improvement was the utilization of Adobe forms to eliminate the need for paper credit applications and payment authorizations. This new process allows the Adobe forms to be sent and returned electronically, reducing the possibility of stolen information.



2020 INITIATIVES

Looking forward to 2020, our objective is to continue working cross-departmentally to strengthen and simplify our processes:

- Transitioning Cherrylake's project management system into Acumatica will eliminate the need for two independent systems, streamline the flow of cost to projects, and increase reporting and analysis.
- The IMG Citrus credit policy will be fully implemented in 2020. The new policy will provide the team with the steps needed for customers to obtain credit. The utilization of Adobe will streamline the application process for the customer and reduce processing times. Accounting will take the lead in managing the new credit and collection process.
- The current paperless AR process for Cherrylake and IMG Citrus requires the Accounting Team to complete the final steps in the ERP system in order to release the invoices which are then automatically emailed to the customer. We will automate these last few steps, so the invoice is processed by the system after the shipment has been confirmed.
- Power BI provides interactive visualizations and business intelligence capabilities, enabling us to create user friendly reports and dashboards. Over the next year, the Cherrylake and IMG Citrus Accounting Teams will learn Power BI, begin developing new analytical reports and dashboards, as well as replace existing Excel based reports that are time consuming and difficult to modify.

Technology is changing rapidly, providing ongoing opportunities to improve our existing practices in the Accounting Department. Over the course of the next year, the team will focus on expanding the use of existing systems while researching new technological advancements to streamline and secure our processes. Ease and safety for our internal and external customers, as well as for IMGE, is vital for IMGE's future. ◆





FLEET UPDATE

Jim Liefert
Director of Planning & IT

Over the last three years, the Fleet Department has incorporated new technologies to better track and protect our assets, costs, efficiencies, and driver safety. While gathering all of this information, we realized we had too many different sources of data coming from multiple programs and spreadsheets. We had over 12 data points, and we had no process to consolidate them and pull important information when needed. Updating the multiple systems became tedious and almost impossible to maintain accurately, because there were too many disconnects.

We did a lot of research trying to find the right solution to tie all of this data together. We finally found a cloud based fleet management software called Fleetio which was implemented in February 2019, becoming a valued resource throughout the organization. With Fleetio, we lowered the amount of data sources from 12 to 5, and all 5 of the new data sources now run through Fleetio. It conveniently ties our fleet management, asset tracking, GPS, shop maintenance work order system, off-site vehicle maintenance, vehicle and trailer inspections, fuel tracking, and reporting in one place.

We have also decided to add dual facing dash cameras to all of the Construction and Maintenance trucks that haul trailers as well as to our tractor trailer trucks. We added cameras to help protect the company and drivers from fraudulent insurance claims. This will also be used in collaboration with our GPS devices to help coach drivers. Moreover, by adding these cameras, we have lowered our insurance costs.

As Cherrylake grew its Maintenance and Construction Groups, additional help in the repair shop became necessary in order to keep up with all of



the repairs and preventative maintenance. We hired an additional mechanic to assist in fleet service at our main location. This, in combination with the new work order system, has helped us maintain better records and stay on top of needed preventive maintenance schedules and repairs.

Also, with the increase in needed mechanical repairs and preventive maintenance came a need for better equipment to increase productivity, safety, and to cut costs. Third party vendors were hired to do the jobs we were unable to manage, costing us time and money.

Investing in a large tire changer helped us eliminate expensive charges from third party vendors who were hired to change tires on our wheel loaders, tractors, and large trailers. By training our team, we are now capable of changing larger equipment tires in a matter of minutes instead of waiting days. Also,

compared to our old machinery, this decision helped with the mechanics' ergonomics as they no longer needed to lift the tires, putting themselves in harms way. A balancer was also purchased to balance our truck tires so we could avoid sending the team to a repair shop in town, wait, and bring the truck back.

For the welding shop, an ironworker was purchased to replace an old, outdated unit which was costing us money in damaged material as we regularly had to replace costly cutting blades and downtime. The new ironworker can also perform cuts the welder would have to do by hand.

We continue to look for better, more efficient ways to track and maintain our fleet using new technologies, equipment, and implementing new lean processes. ◆

Top: *Cherrylake owns the largest fleet of Volvo L20 construction equipment in the United States.*



IMG
Enterprises



REAL ESTATE DEVELOPMENT

Timothee Sallin
Cherrylake President

2019 has proven to be a solid year for real estate activities and closings for our Cherrylake Real Estate (CLRE) Department. Due to IMG's steadfast and key relationships among landowners and agribusiness colleagues, we have made strides this year regarding the buying and selling of properties throughout the southeast and southwest regions of Florida.

Continuing our commitment to Florida citrus, we were able to acquire 4,000 acres in St. Lucie County from the Packers of Indian River. With this purchase, IMG has almost doubled its portfolio and increased our total managed acreage by 75%, making IMG Citrus one of the largest growers of grapefruit in the state of Florida. This property consists of 4,000 contiguous acres. 2,413 acres of productive citrus, a 300 acre reservoir home to native wildlife, and an additional 397 acres of distressed groves, neatly fulfilling our targeted plan of redeveloping 400 acres per year of existing groves.

Additional new acquisitions include a 5 acre tract of land purchased south of our 400's section at Cherrylake in Groveland. This strategic purchase was made to ensure the control and maintenance of an important service road, connecting the distinct sections of our farm. Additionally, we have closed on the purchase of 3 properties located in the Gifford area, adjacent to IMG Citrus. These single family homes will provide housing opportunities for our H2 employees and are within walking distance to our packinghouse in Vero Beach.

With the sale of 27.68 acres to Continental Properties, a national multi-family developer from the Midwest, we secured approval for a PDMU rezone initiative which encompasses a 348 multi-family Springs at Ellenton apartment community as well as a 9.48 acre commercial out parcel opportunity.



Above: *A view of the 300 acre reservoir at the recently acquired Happy Food Grove.*





During the PDMU rezoning process, we worked with entities at the county level, a local engineering firm known as ZNS, and top land use attorneys. They delivered approvals from both Manatee County's planning commission and ultimately from the Board of County Commissioners. With a clear majority vote, our GDP (General Development Plan) was green-lit to include a rezone of the entire 37 acres, a multi-family community, and 125,000 square feet of prime commercial real estate. We are confident both developments will be highly sought after due to their location. Our commercial out-parcels are in close proximity to the newly approved theatre and hotel project which will be built on the 8 acre parcel we sold last year, located to our immediate south along 60E Avenue. Other vital landmarks include adjacent outlet shops at Ellenton, the popular ice-skating rink to the immediate west, and the new Florida International Trade Port, currently under construction and opposite I75. This project is another prestigious development from industrial developer Benderson. With this multi-building project of Class A flex warehousing, they will be adding over 2 million square feet of industrial space, expecting to generate over 800 jobs for the surrounding community.

Other works in progress for CLRE include re-positioning of our properties within new online portals and a redesign initiative for all of our marketing collateral including Sunridge, Parish, and the new Ellenton Commercial out-parcels. Although our Parish and Sunridge properties have proven to be a challenge, we are still optimistic the right buyer is out there. Decisions are also being made regarding local and state realtor boards to increase network visibility and awareness of our services. We are currently working on the repositioning and launch of our properties within several MLS systems including the Land Realtor Institute (LRI) and a Commercial Realtor Association MLS platform. ■

REAL ESTATE SCHEDULE BY OPERATING ENTITY

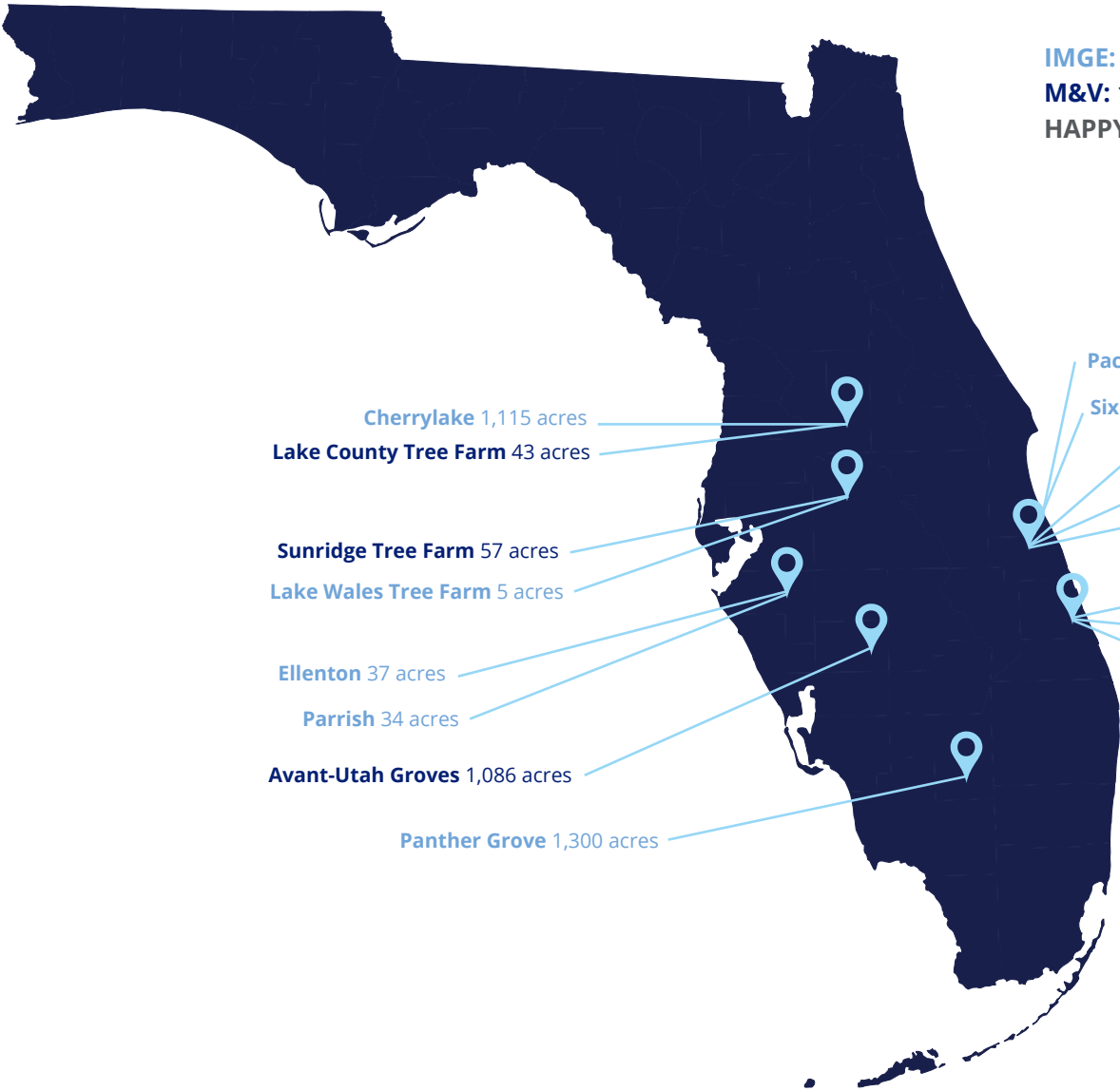
LAND AND IMPROVEMENT FOR IMG ENTERPRISES, INC., M&V, LLC AND HAPPY FOOD, LLC @ BOOK AND APPRAISED VALUE

For the 12 months ending June 30, 2019

Landowner		Acres	Book Value	Per Acre Book Value	Market Value	Appraisal Date	Per Acre Market Value
TREE FARM OPERATING ASSETS							
IMGE	Groveland	1,009	\$ 14,394,427	\$ 14,266	\$ 20,012,275	Sep-15	\$ 19,834
IMGE	Ft. Pierce Farm	489	1,107,005	2,264	2,358,798	Jul-15	4,824
IMGE	Lake Wales	5	24,991	4,998	54,386	Apr-10	10,877
IMGE	Tiara Condo	-	301,210	-	310,000	Apr-10	-
M&V	Sunridge Tree Farm	57	508,098	8,914	620,000	Apr-10	10,877
M&V	Lake Co. Tree Farm Land	40	721,040	18,026	475,000	Apr-10	11,875
M&V	Lake Co. Tree Farm House	3	167,771	55,924	190,000	Apr-10	63,333
TREE FARM TOTAL		1,603	\$ 17,224,542	\$ 10,745	\$ 24,020,459		\$ 14,985
IMG CITRUS OPERATING ASSETS							
IMGE	Panther Grove	1,300	\$ 2,947,544	\$ 2,267	\$ 6,400,000	Aug-15	\$ 4,923
IMGE	Kanjuku Grove	332	2,838,222	8,549	2,500,000	Jul-15	7,530
IMGE	Six Wheels Grove	306	868,071	2,837	2,600,000	Jul-15	8,497
IMGE	Swann Grove	82	668,409	8,151	500,000	Jul-15	6,098
IMGE	Groveland Grove	75	391,265	5,217	1,487,725	Sep-15	19,836
IMGE	Packinghouse	17	5,015,373	295,022	6,000,000	Oct-14	352,941
IMGE	Ft. Pierce Farm	135	1,680,222	12,446	1,680,222	New Planting	12,446
IMGE	Beckley/Neville Grove	80	844,370	10,555	418,626	May-16	5,233
IMGE	J2 Grove	160	1,331,306	8,321	1,180,060	July-17	7,375
IMGE	J4 Grove	164	1,693,605	10,327	984,510	July-17	6,003
IMGE	J5 Grove	200	1,455,147	7,276	1,515,727	July-17	7,579
IMGE	J6 Grove	38	249,631	6,569	259,378	July-17	6,826
IMGE	McDonell Grove	66	773,055	11,713	313,720	July-18	4,753
IMGE	Mitigation Costs	-	-	-	-	-	-
M&V	Avant/Utah Grove	1,086	3,161,014	2,911	8,600,000	Apr-10	7,919
M&V	Phoenix Grove	746	2,610,389	3,499	2,650,000	Mar-1	3,552
M&V	Header Canal Grove	142	1,208,057	8,507	1,353,176	Mar-1	9,529
HPFD	Happy Food Groves	3,928	30,137,766	7,673	31,250,000	Apr-19	7,956
IMG CITRUS TOTAL		8,857	\$ 57,873,446	\$ 6,534	\$ 69,693,143		\$ 7,869
LAND DEVELOPMENT							
IMGE	Parrish Land	34	\$ 130,153	\$ 3,828	\$ 340,000	Dec-10	\$ 10,000
IMGE	Ellenton	37	183,498	4,959	9,050,478	Apr-10	244,608
IMGE	Lake Lucie Frontage	31	294,414	9,497	294,414	Oct-16	9,497
IMGE	North Cherrylake Groves	5	102,434	20,487	102,434	Feb-19	20,487
LAND DEVELOPMENT TOTAL		107	\$ 710,498	\$ 6,640	\$ 9,787,326		\$ 91,470
TOTAL IMG & M&V		10,567	\$ 75,808,486	\$ 7,174	\$ 103,500,929		\$ 9,795
IMGE		5,311	39,904,740	7,514	61,012,753		11,488
M&V		1,328	5,765,980	4,342	11,238,176		8,462
HPFD		3,928	30,137,766	7,673	31,250,000		7,956

REAL ESTATE LOCATIONS

10,567 Acres of Land Under Management



IMGE: 5,311 acres
M&V: 1,328 acres
HAPPY FOOD: 3,928 acres

Cherrylake 1,115 acres
Lake County Tree Farm 43 acres

Sunridge Tree Farm 57 acres
Lake Wales Tree Farm 5 acres

Ellenton 37 acres
Parrish 34 acres

Avant-Utah Groves 1,086 acres

Panther Grove 1,300 acres

Packinghouse 17 acres
Six Wheels & Swan Groves 708 acres
Phoenix Grove 746 acres
Sweet 60 708 acres
Kanjuku 332 acres

Happy Food Grove 3,928 acres
Header Canal Grove 142 acres
Ft. Pierce Farm 624 acres

LEADERSHIP TEAM

Michel Sallin
President

Veronique Sallin
Vice President

Brian Randolph
Director of Grove Production

David Van Slambrouck
Director of Accounting

Melanie Ressler
Chief Financial Officer

Sydney Allison
Director of Sales

Todd Haffield
Director of Packing Operations





MESSAGE FROM THE CFO

Melanie Ressler
Chief Financial Officer

FY2019 marks another year where IMG Citrus continues to demonstrate its commitment to the Florida Citrus industry, delighting consumers worldwide with citrus grown responsibly. This commitment is evidenced by great strides in the company's strategic initiatives as well as heavy investments in assets, technology, and its team.

The 2018-19 Florida citrus season can be characterized as a recovery year following the serious impacts of Hurricane Irma in September of 2017. The volume of fruit produced in the groves increased 21% over the previous year's harvest; however, the fruit remained unusually small with lower overall maturity and internal quality. These fruit characteristics could be felt throughout the citrus process, resulting in reduced field box volume and packouts. This ultimately reduced the overall number of cartons available for the fresh market worldwide. The reduction in fresh cartons of Florida fruit packed was compensated by the continued growth of the company's import program of South American citrus. Overall, IMG Citrus marketed increased volumes of citrus, continuing to strengthen its relationships with targeted customers both in the U.S. and internationally. FY2019's activity brought 663K cartons of Florida citrus to the market and 376K cartons of imported citrus, totaling 1M cartons. This directly compares to the prior year of 453K cartons of Florida citrus and 161K cartons of imported citrus, increases of 46% and 134% respectively.

The Florida citrus industry achieved an increase of 4% in fresh cartons of fruit marketed, putting total industry volume at 9M cartons. The industry continues to be a fraction of itself in contrast to 20 years ago when shipments of Florida citrus exceeded 58M cartons. Despite a slight increase in volume, prices for Florida grapefruit remained steady on the market, indicating supply remains short of demand. IMG Citrus believes the future of the Florida citrus industry will be in fresh grapefruit, a variety which our terroir has the ability to produce the best in the world. Grapefruit grown in Florida is effectively the sweetest and juiciest grapefruit in the world, and consumers continue to perceive the difference. With low

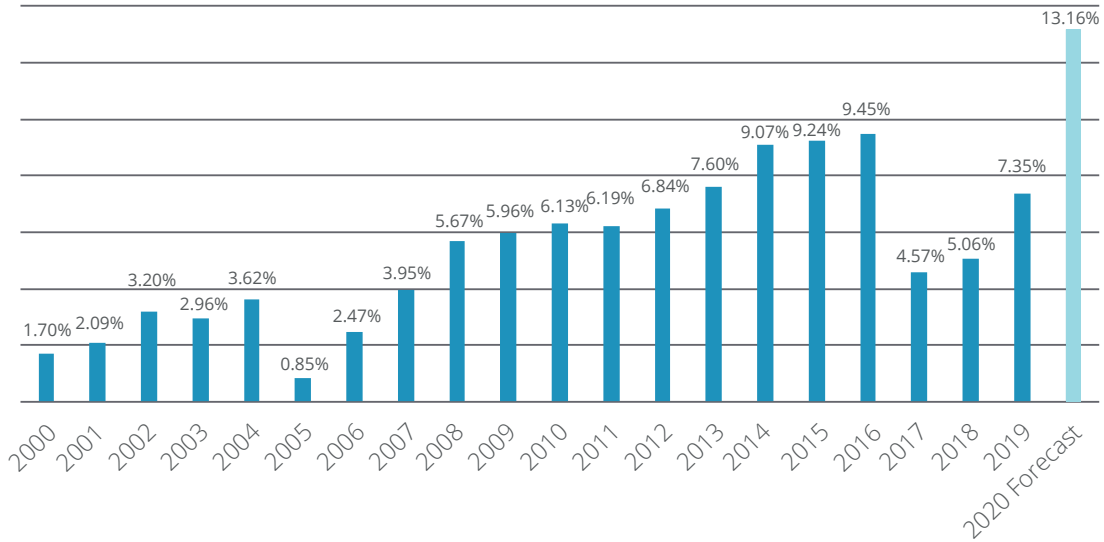


production levels, the marketing of Florida grapefruit is shifting towards a niche market for those who truly appreciate the best taste in the world. The superior taste of Florida, coupled with a growing appreciation for the grapefruit flavor and health benefits, has allowed the company to see historically high pricing on fresh grapefruit.

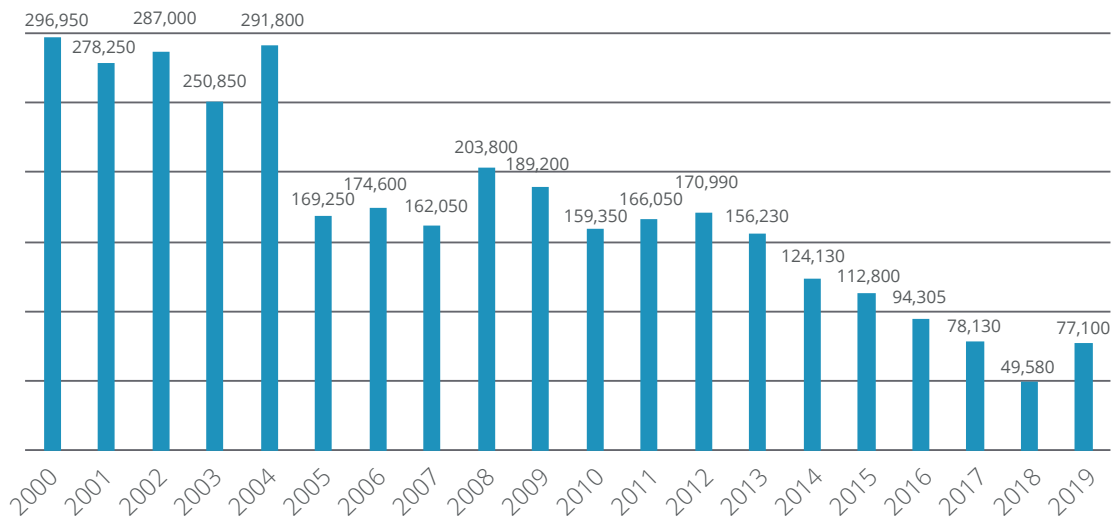
IMG Citrus continues to offer all varieties of Florida citrus to its U.S. retailers in order to offer the service of a one-stop-shop. Whereas the company has been focusing its replanting efforts on the grapefruit variety over the last 10 years, 2019 plantings included Valencia oranges as well as the Bingo and Tango mandarin varieties. The company invested \$3M in the redevelopment of 306 acres of a new grove this past year. This continued effort results in 500 acres of pre-productive citrus at year-end and over 1,100 acres of citrus planted over the last 10 years. The company's annual citrus replanting initiatives are fueled with innovation as we learn to engineer the best environment for tree and root health, allowing enhanced performance for our trees in a greening environment. The greening environment is our reality; however, we are committed to learning how to grow citrus profitably, despite the challenges which come with this disease. We are encountering both encouraging and positive

Above: Michel and Veronique touring the recently acquired Happy Food Grove located in St. Lucie County.

IMG CITRUS MARKET SHARE OF FLORIDA CITRUS



FLORIDA CITRUS INDUSTRY PRODUCTION (in Field Boxes)



results because of our ability to maintain tree health in new plantings through innovations in fertigation and increased attention to soil and root health; yet, we are finding our practices oppose the basic principles of growing for internal quality commonly recognized in Florida. Essentially, the sweetest and juiciest fruit will be the result of a slightly stressed, older, mature tree. In our fight against greening, our objective is to reduce the stress of the tree in order to minimize the symptoms of the disease. In addition, replanting efforts have resulted in a rejuvenation of company-owned groves. This is vital for ensuring our future fruit supply; however, this simultaneously reduces our short-term availability of premium tasting fruit from mature orchards. In order to supply our customers with the taste Florida is known for, IMG Citrus made a significant investment in a 4,000-acre, mature Indian River grapefruit grove, now named the Happy Food Grove.

In FY2019, total citrus company revenues achieved \$31.4M compared to \$22.5M the previous year. Company revenues increased 35% for Florida fruit from \$14.5M to \$19.6M. Revenues from imported citrus increased by 82% from \$4.8M to \$8.7M. Topline revenue increases did not result in bottom-line growth. This is due to decreased profitability of the grove division and an increase in overhead costs as we ramp up our team and operation to handle the increased volumes projected for 2020. The company realized EBITDA in 2019 of \$1.9M compared to \$5M the previous year. The \$3M reduction in EBITDA is a result of a packing and marketing contribution increase of \$750K, grove division contribution decrease of \$(1.242M), increased overhead costs \$(707K), and a decrease in extra-ordinary/non-recurring income of \$(1.831M).

The decrease in the grove contribution to overhead was primarily due to increased caretaking costs from \$2,008 per acre in 2018 to \$2,411 per acre in 2019, representing a nearly \$1M increase in overall caretaking costs. This increase is partly related to the timing of cultural interventions as well as the abandonment of less productive low care acreage replaced with high care young blocks. Overall return per field box decreased 18% from \$16.30 in 2018

“The company is projecting 1M boxes of Florida citrus produced (140% increase) which will result in 1.2M cartons of Florida citrus to market. In addition, imported citrus will increase from 376K cartons to 700K cartons (60% increase).”

to \$13.34 in 2019; however, the decrease in price per field box was compensated by the increased production from 357K field boxes (133 FB/acre) in 2018 (Hurricane Irma), to 432K field boxes (164 FB/acre) in 2019, representing a 21% increase. An analysis by variety shows a slight increase in grapefruit and early juice oranges and a significant decrease in other orange and tangerine varieties. Whereas the juice market was exceptionally strong in 2018, 2019 saw a significant decline in juice prices for all varieties. Faced with higher retail costs and increasingly negative perceptions of the health value of processed juice, domestic orange juice consumption decreased at a rapid pace. In addition, processors turned to imported citrus products to help mitigate the high prices being paid to Florida growers. Increased production in California mandarins, as well as trade wars impacting exported California navels, also contributed to market pressures on non-niche Florida varieties. Due to the unique characteristics of Florida grapefruit and the ability to build niche marketing programs for highly discerning consumers, IMG Citrus utilizes its ability to better control the pricing of grapefruit, in turn seeing more consistency on returns.

Packing and marketing operations contributed

\$3.2M to overhead in 2019 compared to \$2.4M the previous year. This \$750K increase is due to increased volumes being packed and marketed for both Florida citrus and imported citrus. In 2019, imports represented \$977K, or 31%, of the contribution margin from packing and marketing operations.

Combined contribution to the overhead of marketing, packing, and grove operations represented \$5.9M compared to \$6.4M the prior year. Overhead expenses witnessed a significant increase of \$707K from \$3M to \$3.7M in 2019. This is primarily due to IMG Citrus' investment in building a strong team to operate the increased volumes from our import program, replanting programs, and mature grove acquisitions as well as the complexities from our increasingly diversified and integrated enterprise.

2020 FORECAST

FY2020 will see major increases in our Florida citrus production due to the Happy Food Grove acquisition, as well as continued exponential growth in our import program. The company is projecting 1M boxes of Florida citrus produced (140% increase) which will result in 1.2M cartons of Florida citrus to market. In addition, imported citrus will increase



Orphea-Globalscan5 Citrus

IMG CITRUS

476
31.4 cm 57 x 1946 g



from 376K cartons to 700K cartons (60% increase). Projected volumes will increase IMG Citrus' market share of Florida citrus from 7% in 2019 to 13% in 2020. Total revenues are forecasted at \$46.8M with resulting EBITDA of \$6.7M.

IMG Citrus will continue to invest heavily in the citrus industry with a CapEx forecast of \$4.8M, including \$2M in resets and replanting. The packing line is being equipped with a state of the art MAF Global Scan 7 optic grading system, allowing IMG Citrus to sort fruit appearance with exponential precision and also internal quality through shape and density. IMG Citrus is committed to delighting consumers with the traditional, elevated taste of Florida citrus and is investing more than \$1.5M into this project.

As the packinghouse ramps up to handle 1.8M cartons of citrus in 2020, we will bring in 20 H2B packers to ensure we have sufficient packinghouse labor to efficiently pack the anticipated increased volumes of fruit. IMG Citrus will effectively be the first citrus packer in the state of Florida to use the H2B guest worker program. In parallel with the program, the company has invested nearly \$400K to purchase 3 homes in the vicinity of the packinghouse which can be made available for rent to the new employees.

The USDA Citrus Crop Forecast is expecting a slight 3% increase in total field boxes produced in Florida compared to the previous year. While the volume of grapefruit will continue to remain below market needs, we foresee concerns in the marketing of other varieties, especially juice oranges. We expect juice pricing will continue to depress due to consumption issues and imported fruit. As IMG Citrus enters the 2020 season, we have contracted multi-year agreements with various juice plants in order to secure acceptable pricing for our fruit which cannot be marketed as fresh. We anticipate a slight increase in our average return per field box due to stable pricing expected on grapefruit, now representing an even greater percentage of our fruit supply (87%) with the Happy Food Grove acquisition. We assume there will be increased opportunity to market fresh juice oranges from partner growers as the orange juice market depresses. 🍊

IMG CITRUS AND M&V, LLC ASSETS: *The IMG Citrus Leadership Team operates the citrus assets of the parent, IMG Enterprises, Inc. as well as the citrus assets of the related company M&V, LLC. In lieu of a lease on Agricultural properties, IMG Enterprises, Inc. charges the operating company, IMG Citrus, the depreciation and interest related to the assets used in operations. In the case of M&V, LLC, IMG Citrus manages the citrus properties under a Caretaking and Marketing Agreement whereas IMG Citrus has the exclusive right to pack and market the fruit from the M&V, LLC groves. Although IMG Enterprises, Inc. and M&V, LLC are two independent and distinct companies, the companies are managed by the same team and have some common, although substantially different, ownership. As a result, IMG Enterprises, Inc. has adopted Financial Accounting Standards Board (FASB) Interpretation No. 46R "Consolidation of Variable Interest Entities," which requires the Company to consolidate M&V, LLC as a variable interest entity for GAAP reporting. The companies maintain independent tax filing. For the purpose of this Annual Report, the citrus results shall be presented and analyzed on the basis of the consolidation of IMG Citrus and M&V, LLC.*

HAPPY FOOD GROVE

Melanie Ressler
Chief Financial Officer

Earlier this year, IMG Citrus made a significant acquisition in a 4,000-acre, mature Indian River grapefruit grove, now named the Happy Food Grove, in order to supply our customers with the fresh taste of Florida citrus. This is an exciting acquisition for the company, the team, and our customers. The purchase has essentially doubled our citrus acreage and secured over 600,000 field boxes of superior quality grapefruit for our packinghouse and customers. The transaction represents a \$30M investment on top of an additional \$2M in equipment and the integration of 25 new grove team members. The most rewarding aspect of the Happy Food Grove acquisition is the securement of a large volume of high-quality grapefruit for our customers worldwide while we wait for our new plantings to achieve maturity and enhanced taste. The future is bright for IMG Citrus!

Upon acquisition, IMG Citrus immediately embarked on a plan to reset the entire grove. The company will also plant solid blocks of Valencia juice oranges on undeveloped acreage in the grove. The investment solidifies IMG Citrus' position as a leader in the fresh Florida citrus industry, making us the largest grapefruit grower in the state controlling over 30% of the red grapefruit supply and over 50% of the white grapefruit supply. White grapefruit, being the original heirloom grapefruit, provides us with many exciting opportunities to expand the marketing of this variety to both Domestic and European markets as it has traditionally been marketed only to the Japanese market.





SALES & MARKETING

Veronique Sallin
Vice President

IMG Citrus' 2018-19 Florida sales volume ended at 642,000 cartons, up 51% compared to the prior year; however, this figure is short of our Florida 1M cartons budget. This gap directly relates to the shortage of fruit supply suffered industry wide due to 30-40% of fruit being an abnormally small size and in effect unpackable.

However, our imported fruit exceeded budget expectations, totaling 376,000 cartons which is well over our 275,000 carton budget. This was a remarkable achievement and a bright spot of the year. Grapefruit remains our strong suit during the Florida season, representing 57.6% of IMGC Florida volumes, followed by oranges at 29.4% volume and

tangerines/mandarins at 13% volume.

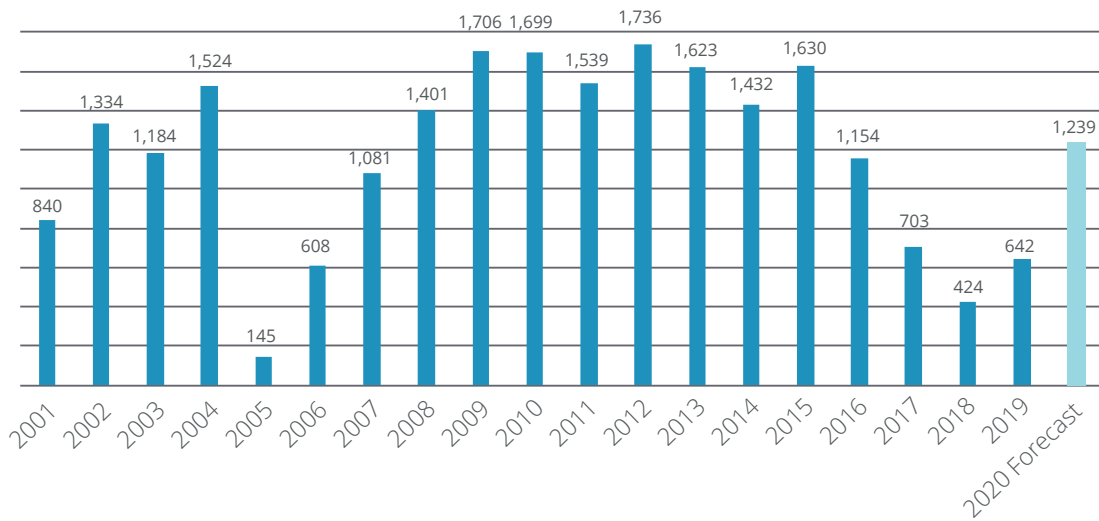
Our overall market share of Florida fresh citrus was 7.3% (all varieties); with grapefruit Florida market share at 10.3%, fresh oranges at 0.4%, and tangerines/mandarins at 9%. The lower market share in oranges is due to the fact we depend heavily on fruit purchases for juicing oranges, and the risk involved in a high cash market discouraged us to seek higher volumes. We believe this will change in the coming years, allowing us to gain market share in juicing oranges, an IMG Citrus strategic priority.

We continue to be a strong exporter, shipping 48% of our grapefruit overseas: 19% to Japan,

"We continue to be a strong exporter, shipping 48% of our grapefruit overseas: 19% to Japan, 16% to Europe, 8% to Canada, and 6% to Korea. The export markets are commanding the highest prices and returns; although, the U.S. market pricing, with reduced availability, has also seen high FOB's for grapefruit in 2018-19."



IMG PACKED CARTONS OF FLORIDA FRUIT (in 000s)





SUMMER IMPORT PROGRAM

Sydney Allison
Director of Sales

In 2019, we introduced our fifth season of summer imports. Throughout the course of this year, we continue to learn exponentially and solidify our processes.

Imports have been a great alternative to diversify risk, keep our packinghouse and employees running, and remain in the forefront of our southeast customers year-round. We continue to work toward our goals of partnering with the best suppliers and customers who share in our vision and values.

The 2018 season proved pivotal in determining which suppliers we would invest partnerships long term, and as we enter into the 2019 season, we have developed some very strong grower relationships which allow us to focus on expanding our customers in the southeast. For the 2019 season, we have strategically chosen to focus more on Chile and minimize our suppliers in Peru, where quality can be fluctuating and under specification.

We ended the 2018 season with around 376,000 cartons of imports, and are expecting around 500,000 cartons from South America for the 2019 season. Of the 500,000 cartons, mandarins will represent around 40% of the volume, navels 35%, lemons 15%, grapefruit 8%, and minneolas the remaining 2%.

In addition to Chile and Peru, we have also added Mexico for the first year to compliment our Florida program. We have imported about 50,000 cartons of honey tangerines, 8,000 cartons of grapefruit, and 7,500 cartons of Valencias in the months of February through March. We will be importing lemons from August through November.

As we work towards our goal to import and market 1M cartons, there are a few key factors we need to continue focusing on including our capacity at the packinghouse, outside facilities, and our opportunities in Savannah, Georgia.

Above: *A view of citrus groves in Chile.*

16% to Europe, 8% to Canada, and 6% to Korea. The export markets are commending the highest prices and returns; although, the U.S. market pricing, with reduced availability, has also seen high FOB's for grapefruit in 2018-19.

2018-19 represents a transition year in many different aspects:

- In 2018-19, we continued to operate with a deficit of Florida Citrus supplies while managing the demand from our existing customers. We also prepared ourselves for the large increase of volume forecasted for 2019-20 after the purchase of the Happy Food Grove in March of 2019. We project the purchase of the Happy Food Grove will more than double our grapefruit availability for 2019-20.
- We managed and prepared for continued growth of our import volumes, going from a volume of 376,000 cartons in 2018-19 to a goal of 500,000 cartons in 2019-20.

DEVELOPING STRONG & DOCUMENTED CUSTOMER ORDER FULFILLMENT PROCESSES

We placed an emphasis on establishing strong and documented customer order fulfillment processes which can be used for training and communication. These processes include quality control, claim management, costing, documentation, sales administration, customer service, and program management.

A GROWING TEAM

We recruited new staff, hiring a total of 22 new employees company-wide. Six of the new hires are specifically working in the sales department, and they have joined the team over the course of the past year and a half. The majority of the new recruits were spontaneous applicants from several competing organizations located in Vero Beach which were either closing or restructuring. Most of the new hires are highly experienced and aligned with our culture.

BUSINESS DEVELOPMENT

Our domestic business development is driven by our 3 strategic priorities: to become a year-round citrus provider specialized in distribution to the southeast; to develop programs with the best national and regional retailers with a strong presence in the southeast; and to select customers aligned with our values and strategy.

In 2018-19, we were invited to quote winter and summer programs with Walmart, Whole Foods, Aldi, and Kroger. These national retailers value the benefits of our strong position in the southeast. They have provided us with an allocation of their "local" Distribution Centers in our area for both Florida and imported citrus. Our regional strategy resonates with retailers' "local" strategy. Having winter and summer programs is invaluable for IMG Citrus, allowing us better planning and operational efficiency. At the same time, these programs create stability on the market by locking volumes and avoiding unallocated floating volumes.

Seasonal pricing for programs is established ahead of the season with the input of all parties: retailer, South American supplier (in the case of imported programs), and IMG Citrus. This process takes away the speculative aspect of prices and substantially decreases our risk as a buyer of imported fruit.

In respect to the two largest retailers in Florida, Publix and Winn Dixie, our sales are increasing; however, we are still working on transitioning these large retailers from week to week ordering to seasonal programs.

In most cases, we are able to assist retailers by offering the additional service of delivery to their Distribution Centers. This becomes valuable for retailers hard hit by trucking shortages, creating a new profit center for IMG Citrus.

Our ratio of sales via retailers versus wholesalers is now 60/40%, but we expect this ratio to move to 80/20% for next season, with food service clients included in the 20%. Food service is a growing market nation-wide and in Florida. Both juice oranges and lemons are popular for this purpose.

In 2018-19, we added new export customers in anticipation of our future growth, starting with small volumes and developing a relationship with Union, Royal, and Taka Trading in Japan. We participated in Fruit Logistica's trade shows in Europe and Asia in order to establish new contacts in Korea and rekindle old relationships in Europe. Korea is a growing market where IMG Citrus was previously underrepresented and exists as a growth opportunity for the company.

BRAND & COMPANY RECOGNITION

The work of our marketing department is paying dividend in boosting our Happy Food brand recognition, as well as increasing the IMG Citrus franchise.

The sales department has been working to protect the Happy Food brand by selecting fruit of the right quality and taste. We are using a second brand when fruit are not to the proper standards. We now have all packaging options available in Happy



Above: Our Happy Food juice oranges are popular among retailers, who are capitalizing on the in-home juicing trend.



Above: *Timothee and Sydney visit the groves in Chile with one of our growers.*

Left: *Veronique checking the brix content of our grapefruit with our customer from Japan.*

Right: *Our Happy Food D-pack promotes a healthy happy lifestyle with sweet smiles and a bright color palette.*

Food brands for all Florida and imported products including lemons, oranges, red grapefruit, white grapefruit, mandarins, and tangerines.

An area of concern for our Happy Food franchise is a trending demand from U.S. retailers stating we must pack our fruit in their own proprietary brands. We are already packing fruit in Aldi's and Loblaws' brands, and we expect Walmart and Kroger to demand the same.

Although IMG Citrus is well known overseas because of our 40 years presence on export markets, we do not have the same level of recognition in the U.S. Through the work of our Sales Team, our participation in trade shows, and regular press releases addressed to U.S. produce magazines, we are putting our name out there.

OVERCOMING MRL'S CONCERNS

Food safety, health, and environmental responsibility have always been at the top of IMG Citrus' agenda. Over the past few years, standards worldwide are tightening up with residue tolerances getting lower and placed under scrutiny. Key active products are either being banned or restricted, complicating further challenges of growing fruit in a greening environment.

This past year, Japan detected levels of streptomycin residues slightly above tolerance on fruit from one of our outside growers. These particular fruit were then segregated and eliminated, representing a cost of close to \$200,000. As a result, fruit from IMG Citrus, the shipper of record, must be systematically

tested for streptomycin upon arrival for one year, creating expenses and delays to our customers. We are learning first hand the hard consequences of a spray mistake from our associated growers.

In 2019-20, we have taken additional measures to control residue levels through systematic testing of all our crops. We will also only export company grown fruit where all spray history is known and documented. Our full integration and strong food safety processes are now a very necessary advantage.

LOOKING FORWARD

As we reach the end of the 2018-19 season, things are improving for the Sales Team. We are well prepared, well staffed, and ready for the challenges of the growth planned for the coming season. The purchase of the Happy Food Grove was a tremendous boost to the team's spirit, with less competition and more fruit to sell, the team is positive about the bright future of IMG Citrus. Customers are noticeably responding to the positive feelings from the team. We love hearing positive news in the groves thanks to the incredible work done by Brian Randolph and his team. We are excited to see the packinghouse plans for the new MAF Global Scan 7 electronic grader, the plans for H-2B labor, and the D-pack bag line expansion plans.

There is tremendous spirit and powerful energy stemming from our clear vision and achievable strategic priorities. I am grateful to all of the teams at IMG Citrus and more specifically to the Sales Team for all of their efforts and believing in our future. 🍊



GROVE UPDATE

Brian Randolph
Director of Grove Production

Since 2005, research communities around the world have tried to culture citrus greening bacterium in the lab with no success. Fourteen years later, a group of researchers from Washington State University successfully grew the devastating bacteria in a laboratory. Through this discovery, research communities are now moving forward with the creation of resistant varieties, rootstocks, and other treatment methods in order to sustain our existing citrus acreage. This is a groundbreaking discovery and a big step forward in the industry.

HAPPY FOOD GROVE

In FY2019, we invested in one of the largest grapefruit groves located in St. Lucie County, aptly named the Happy Food Grove after our consumer brand. The 4,000 acre acquisition increases our control of citrus land management in Florida by over 75%. The mature grove has a total of 2,419 net tree acres, producing a variety of citrus including white grapefruit at 970 net acres, red grapefruit at 311 net acres, dark red grapefruit at 1,101 net acres, and Murcotts at 66 net acres. The remaining 440 acres include reservoirs for irrigation and drainage. Rootstocks found on mature trees involves both sour orange and swingle.

In FY2020, we will continue working toward high density redevelopment on a total of 116 bed acres. Beds will reduce in size from 50ft beds to 40ft beds; however, planting densities will increase to 272 trees per acre from the standard 134 trees per acre. New citrus varieties will include Valencia, Oll8, EV1, and Vernia.

We will be resetting all mature blocks with a set schedule to reset approximately 27,000 trees by the end of FY2020, with an additional 32,000 trees in FY2021.

Right: *Our Production Manager, Lance, is a proud 3rd generation citrus grower.*



REDEVELOPMENT & RESET INITIATIVE

We continue to monitor our groves in order to determine the necessity of tree resets or entire block replantings. We practice two types of replantings. The first replanting is called a “grove reset”, which involves replacing dead or weak trees within a grove that has a positive per acre contribution to overhead with young trees. The second type of replanting is called a “solid set”. This is when we have an entire block with low, unprofitable yields. We push the block, start from scratch, and redevelop it at high density plantings.

We have spent FY2019 redeveloping land and planting trees with over 78,000 total trees planted. Over 280 acres will have undergone redevelopment with over 34,000 grove resets planted and over 44,000 trees planted in solid set blocks. Our variety portfolio includes Valencia, the industries standard late season sweet orange; OLL-8 a newer late season sweet orange variety; Vernia, a newer mid-season sweet orange variety; and the Tango, a low seeded, easy peel tangerine which matures in late fall to early winter. All four varieties show evidence of tolerance to citrus greening.

Our portfolio of varieties is primarily grapefruit. Varieties include both red and dark red grapefruit. Dark red varieties are Flames and Starr, both sharing evidence of tolerance to citrus greening. In late 2020, we will begin resetting the white grapefruit blocks located at Happy Food Grove, planting 32,000 trees over 865 acres.



In order to protect our young tree plantings and reform from psyllid feeding (subsequently, the citrus greening bacteria), we cover newly planted trees with a protective net. These nets are made of a breathable 50 mesh polyethylene screen which covers the tree for 2 to 2.5 years as the tree grows vegetatively. Not only do these nets protect the trees from psyllids, they also protect trees from other damaging insects like weevils. We also found that trees grow faster and ultimately have a better chance to enter the crucial fruit producing stage free of disease.

While greening remains a threat, our production model utilizes innovative practices and technologies to keep groves productive and profitable. We have adopted a more aggressive approach to production, focusing on high density and super high density planting methods to help combat greening by creating a more controlled environment.

PESTICIDE ENVIRONMENTAL STEWARDSHIP INITIATIVE

Food safety is a primary global concern, and at IMG Citrus, food safety begins at the farm. IMG Citrus has been proactively searching for alternatives to glyphosate as a link to cancer from exposure has become notably publicized. Numerous cities, counties, states, and countries have

banned its use. In 2018, we were 100% dependent on using it in our weed management programs. In 2019, we reduced our usage anywhere from 25% to 50% through the utilization of other chemistries. In 2020, we plan to reduce further, eventually ridding glyphosate in its entirety from our weed management program.

Streptomycin, an antibiotic approved for use in citrus to combat citrus greening, is another highly publicized material. Streptomycin is a staple to modern medicine and criticized by many on the ultimate results of misuse, and the impact it could potentially have on human health and the environment. For this reasoning, IMG Citrus has removed this material from all cultural programs company-wide. 🍊

Left: *Experimentation with mesh bags is helping us to protect young trees from Asian citrus psyllids, as well as the spread of HLB.*

E-HARVESTING

Scott Kerr
Fruit Procurement Director

The IMG Citrus Harvesting Team will be implementing new paperless technology for the 2019/2020 citrus season. In past years, the team used paper tickets to identify loads destined for the packinghouse. This process demanded a supervisor's physical presence in the specific grove being harvested in order to write paper tickets, averaging 250 miles per day traveling to each grove.

This year, we will introduce the E-ticketing program, allowing us to enter all ticket information through the computer which instantly delivers the recorded information to the grower, packinghouse, and crew leader simultaneously. The system will streamline information flow to all entities of the packinghouse, saving substantial amounts of cost and time management for the Harvesting Team.



PACKINGHOUSE OPERATIONAL EFFICIENCY

Todd Haffield

Director of Packing Operations

As we grow our volume of both Florida and imported citrus, we must remain efficient in order to maximize value for our growers and partners. In FY2019, we made some significant investments to our packinghouse, introducing new technology, automation, and continuing on our journey to become more lean in our operations.

MAF GLOBAL SCAN 7 INVESTMENT

Working within a greening environment, our main obstacle is the taste and size of poor quality fruit and eliminating them before the fruit reaches consumers. In FY2019, we made significant progress regarding this problem with a major technological upgrade in the form of a 1.5M investment to the packinghouse processing line, a state of the art electronic fruit grader, the "Global Scan 7" manufactured by MAF Roda Industries in France.

We now have the ability to precisely capture 120 images per fruit and up to 120 fruit per second in high definition. At a processing speed of 7,200 fruit per minute, the sorter has the capability to process a total of 864,000 pictures per minute. It then analyzes the images against specific criteria such as percentage of blemish, weight, color, shape, and density concluding with 99% accuracy. Moreover, we have also learned that internal quality of grapefruit is more consistently measured with density, color, and shape as opposed to other methods, allowing the elimination of late blooms and greening fruit and guaranteeing a better consumer experience. This gives us the ability to fully understand the crop characteristics to enhance decision making and crop management.

The precision of the Global Scan 7 eliminates fruit at the first step, before the fruit is waxed, increasing efficiency and reducing cost. We chose the MAF Global Scan 7 because of our experience with the Global Scan 5 from an operational standpoint as well as the relationship we built with MAF Roda Industries over the past years. Post sale, they have been very supportive, and we are confident they are the best partner for our purpose.



VOLUME INCREASE

For FY2019, we also rebuilt our process and structure to once again efficiently handle a large quantity of Florida citrus after volumes declined for the last several years. Hurricanes, particularly Hurricane Irma, greatly affected production from the groves, stressing trees.

This devastation ultimately lead to small fruit and low volumes; however, this year's acquisition of the 4,000 acre Emerald Grove in St. Lucie County, now aptly named the Happy Food Grove, increases IMG Citrus' control of Florida citrus land by over 75%. With this investment, we anticipate a rapid turn around, leading to a 300% increase over the course of a single season. With the expected increase in volumes, our current labor force, built to accommodate small volumes efficiently, will also require an overhaul. Through the use of the H2B work visa program, we will sponsor workers from Mexico, making an extensive change to our labor force. The packinghouse has not been exposed to heavy volumes in several years, but we accept the challenge to rise to this occasion.

Above: MAF Global Scan 7 has the ability to take 864,000 photos per minute in order to grade each fruit for blemish, weight, color, shape, and density.

IMPORTS

Our summer import program allows us to utilize our facilities year-round and provides risk diversification. Last year we experienced a 133% increase over 2018, and we are anticipating a 60% increase in 2020. Because of the growth of the program, we need to continuously increase our infrastructure to accommodate.

Imports arrive at the packinghouse prepacked and refrigerated. They then need to be repackaged using our promotional brand packaging for our consumers in Florida. Repackaging is processed under refrigeration, as breaking-the-cold-chain is a poor practice, ultimately reducing shelf life. The D-pack, our new type of packaging also known as a film bag, is built around the fruit with a machine which also automatically weighs the fruit. We stock the D-Pack material in large rolls, only utilizing a small amount of material per bag. The bags have finger holes for consumer easy carry convenience and parade a brightly colored, welcoming Happy Food character alongside the slogan “be healthy, be happy”.

We operated the assets at full capacity this summer import season with two shifts, effectively under production for more than 80 hours per week. An increase in capacity is needed for future growth. This is a substantial investment and a large commitment on IMG Citrus’ behalf but considered vital to our long term strategic goals. Excellent planning and logistics will also be vital as we seek new limits to our refrigerated storage capacities.

FY2020 will be an exciting year for IMG Citrus as we prepare for a significantly larger volume of Florida citrus being introduced to our program. We are looking forward to continuing to grow and develop our employees while supporting our growers, suppliers, and customers. 🍊



A STRONG AND STABLE WORKFORCE

Joaquin Perez
Human Resources Manager

A key competitive advantage for our operations is the recruitment and retainment of a professional and loyal workforce which embraces our company culture and has the ability to grow with the company. We have increased our labor demand in the packinghouse to meet our organizational goals but there is currently a decrease in the available labor. As a solution, the team decided to introduce the H-2B program to the packinghouse to help fill the gap and strengthen our seasonal workforce through the use of the guest worker program.

We will be the first citrus packinghouse in the State of Florida to supplement a domestic workforce with H-2B, and with the success of the program at Cherrylake, we have the knowledge and resources to bring it to fruition.

The H-2B staff will be employed during our peak load period of October 28th through February 28th. We expect to have our first H-2B staff members join our team at the end of October 2019, at the start of the FY2020 Florida season. In addition, we will continue to employ and maintain the best domestic workers in the industry and increase our core seasonal staff.



FINANCIAL HIGHLIGHTS:

IMG CITRUS

For the 12 months ending June 30th (in 000's except ratios)

	Forecast 2020	Actual 2019	Actual 2018
SALES VOLUME	\$ 46,766	\$ 31,402	\$ 22,495
NUMBER OF CARTONS SOLD	1,769	1,040	614
<i>Europe</i>	250	82	90
<i>Japan</i>	180	70	52
<i>Asia</i>	60	9	-
<i>Canada</i>	81	81	67
<i>USA</i>	598	421	396
NUMBER OF FL CARTONS PACKED	1,169	642	424
<i>Grapefruit</i>	834	371	238
<i>Oranges</i>	298	191	149
<i>Tangerines</i>	36	80	37
ORIGIN OF FRUIT SUPPLY (in cartons)			
<i>IMG/M&V, LLC Groves</i>	1,024	383	309
<i>Fruit Purchase from Growers</i>	145	260	116
<i>Sub Total IMG Packinghouse</i>	1,169	642	424
<i>Purchase from Packinghouses</i>	-	22	29
<i>Imported Citrus</i>	700	376	161
<i>Total Cartons Marketed</i>	1,769	1,040	614
IMG GROVES			
<i>Total Productive Tree Acres</i>	5,229	2,633	2,682
<i>Non-Productive Tree Acres</i>	531	436	416
<i>Caretaking Cost per Net Tree Acre</i>	\$ 2,466	\$ 2,411	\$ 2,008
<i>Harvested Field Boxes</i>	1,037	432	357
<i>Average Return to Tree</i>	\$ 13.91	\$ 13.34	\$ 16.30
CITRUS COMPANY FINANCIAL RESULTS			
EBITDA IMGC	\$ 5,744	\$ 103	\$ 2,298
EBITDA M&V, LLC	\$ 966	\$ 1,839	\$ 2,675
EBITDA CITRUS COMPANY	\$ 6,710	\$ 1,942	\$ 4,973

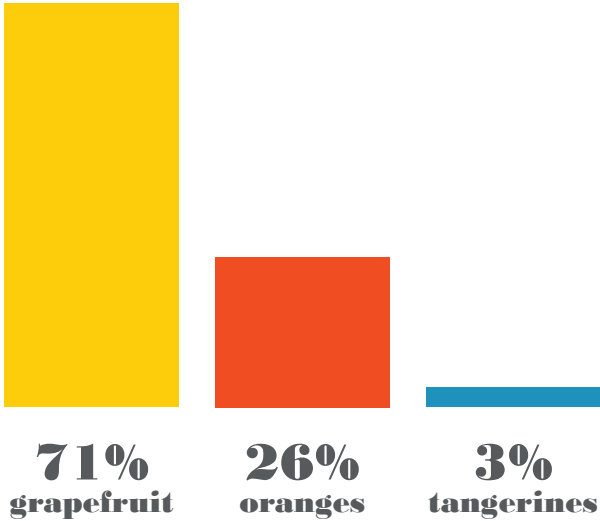
2020 Forecasted Sales Volume

\$47
million

2020 Forecasted EBITDA

\$6.7
million

2020 Forecasted
**Cartons packed by
Florida variety**



LEADERSHIP TEAM

Timothee Sallin
President

Aaron Morse
Director of Construction Admin.

Chloe Gentry
Director of Marketing & OD

David VanSlambrouck
Director of Accounting

Jim Loeffort
Director of Planning & IT

Shane Pangle
Director of Sales

Todd Gentry
Director of Production





MESSAGE FROM THE PRESIDENT

Timothee Sallin
President

Cherrylake achieved record-breaking sales volumes in 2019 for the fourth consecutive year, with total revenue reaching \$46M, a 10% increase in comparison to 2018 and a 50% increase since 2015. Gross margins increased from 35.3% in 2018 to 40.2% in 2019. Total gross margin increased by 25% from \$16M in 2018 to \$20M in 2019. This continued success is due to favorable market conditions, our long-term commitment to invest in inventory, and the excellent execution of strategic priorities by our teams.

All three Cherrylake groups, Farm, Construction, and Maintenance, have contributed to our success, each setting individual group sales records in 2019. The Farm Group achieved \$29M, exceeding the previous year's revenue by 5%. The Construction Group reached \$14.2M in revenue, a 1.5% increase year over year, accompanied by a 37% in gross margin. The Maintenance Group increased revenue by 66%, reaching \$2.6M. Cherrylake's adjusted 2019 EBIT showed a 24.3% increase over 2018 reaching \$11.5M, a 255% increase over 2015.

Over the past four years, a strong economy has driven the demand for our products and services. In particular, the housing markets in the southeastern and Gulf States have been thriving, evidenced by strong year-over-year growth in housing starts since the recovery in 2012-13. Housing starts in these states were up 11.6% in 2015, 2.5% in 2016, 7% in 2017, and 10% in 2018. This is an average growth rate of 7.6% over the past 4 years. In reference to 2012, we see an average growth rate of 13.2% for housing in all markets we serve.

Meanwhile, nursery supply expanded cautiously as growers have increased their output, and in some cases, added acreage to increase overall capacity; still, there are no significant new investments or new players entering into the market. While we do not have decent

Right: *This photo of senior leaders, Todd, Timothee, and Chloe, was featured as Nursery Management Magazine's cover story on visionary leadership.*



“Our innovative workplace culture, purpose driven strategy, and our passionate and engaged employees have positioned Cherrylake as a leader in our industry as well as a leader in our community.”

data on total nursery supply, it is unlikely that supply expanded at the same rate as demand over the past 4-7 years. One point of reference are the total liabilities for federal crop insurance policies on nursery crop. These liabilities have increased on average by 1% between 2015 and 2019.

These favorable market conditions undoubtedly account for much of our recent growth and success. It appears the housing market may stabilize and possibly slow in some markets. Housing starts in the southeast and Gulf States are down 0.78% through the first 7 months of 2019. Meanwhile federal crop insurance liabilities increased by 7.5% in 2019. These are early signs the winds may be shifting towards a less favorable supply and demand outlook.

This shift in market conditions may not yet impact our expectations for revenue and bottom line growth, as economic data suggests the market for nursery and landscape will remain tight at least for the next 2-3 years. Low interest rates, full employment, and population growth in the southeast suggest housing markets will stabilize rather than collapse or shrink. Nursery supply may continue to increase at a rate of 3-6% a year, which can over time lead to oversupply and downward pressure on prices. This is likely a gradual process over a period of 3-5 years, when compared to the sudden collapse following the 2007-08 housing bubble and financial crisis.

Regardless of the future, Cherrylake is very well positioned for the next economic downturn. Our investment in equipment, buildings, and farm infrastructure over the past five years has helped renew our asset base and improve operational efficiency. The farm has developed excellent processes and systems based on a stable Master Plan and a core operating philosophy of space-utilization, inventory flow, and price optimization. As a result, we have a highly focused, engaged, and efficient organization which can adapt to changing market conditions and continue to increase

operational efficiencies, protecting margins in the event of a downturn.

The growth and development of our Construction and Maintenance Groups provide additional resilience and staying power to the organization. The Construction Group is pursuing a strategy designed to withstand market volatility by focusing on long term strategic partnerships with the most professional clients, diversity of market segments, technical specialization, and smart growth. Our commitment to product quality, service, transparency, professionalism, and organizational excellence has helped us achieve an outstanding reputation as a commercial landscape contractor in the Central Florida market. Our strategy pursues high margins at relatively low market share during growth cycles. We can then more readily adjust to market contractions by increasing our market share. An increase in market share for construction will help to buffer the farm from some of the price impacts of the downturn.

The Maintenance Group is still in its infancy. We expect significant growth in this division as we capture market share from competitors and establish ourselves as a leader in the Central Florida market. In order to accomplish this, we believe we will need to differentiate ourselves by providing clients with greater transparency, accountability, and consistency of service quality. We believe we can achieve this through employee training and

development, operational efficiency, strategic selling, and a commitment to quality horticulture and sustainable landscape management practices. The potential for growth in Maintenance revenue is significant. We could feasibly achieve 5 times growth in the next 5 years, reaching \$14M in revenue with less than a 10% market share in the Central Florida market. Maintenance revenue is much less sensitive to changes in housing demand and economic cycles; therefore, we can not only expect to maintain revenues in this group but also grow them in a flat or recessionary market.

As our organization grows in scale and complexity, our ability to expand human resources, senior leadership, and promote an innovative, growth-minded, and resilient culture remains paramount. Thus, we continue to invest in our culture and our employees each year. In 2019, we started the construction of our new operational hub and on-campus employee housing. These facilities will positively increase the worker experience and overall value of our farm employees and H2 employees.

We continue to increase our investment in training for both technical skills and leadership skills at all levels of the organization. In 2019, we offered workshops in English and Spanish on nonviolent communication, active listening, and giving and



Above: Stacy, Carynes, Julissa, and Caraline at our annual State of the Company event.

Left: Our maintenance group is in a unique position because of our advantage to share labor between Cherrylake's farm during busy season.

Right: Watermark, located in Winter Park, is maintained by Cherrylake's Maintenance Group.

receiving feedback to all administrative staff and farm crew leaders. We also started an English as a Second Language (ESL) program for our Hispanic employees. We have designed an immersive, year-long Leadership Development program set to start in 2020, and we continue to leverage industry training programs, conferences, seminars, and certifications.

We believe the most successful, innovative, and resilient companies of the future will be organized around the principles of autonomy, self-management, and collaboration. Traditional pyramid models of top-down hierarchy and command-and-control management structures are no longer capable of adapting to rapid change in technology, society, and the economy. Employee engagement, innovation, and entrepreneurship are most likely to flourish in a purpose-driven organization where employees are given autonomy, trusted, and encouraged to grow and take risks in a supportive environment. The journey from a traditional organizational structure to self-management, autonomy, and self-directed teams takes time, and each year we take steps to move forward in this direction. In 2019, we created four Operational Leadership Teams for Farm, Outsourcing, Construction, and Maintenance. These are self-directed teams of peers invited to work collaboratively to lead their operation through the implementation of strategy. This has been a significant development toward distributing decision making authority and promoting the principles of self management throughout the organization.

Our innovative workplace culture, purpose driven strategy, and our passionate and engaged employees have positioned Cherrylake as a leader in our industry as well as a leader in our community. This success can be measured in a number of ways, but the most significant measures of our success are our Employee Net Promoter Score (ENPS) of 58% and Customer Net Promoter Score (CNPS) of 80%. These remarkable scores reflect the soul of our organization in the hearts and minds of our customers and employees. Because of this vitality, I am confident in our organization's ability to overcome all future challenges and obstacles and to continue achieving our strategic and financial goals, as we continue to expand our impact in the world, fulfilling our purpose of life, beauty, vision, sustainability, and community. 



FARM SALES & MARKETING

Shane Pangle
Director of Sales

The Cherrylake Sales and Marketing Team finished FY2019 with the farm's fourth consecutive best year in total revenue at \$29M, excluding freight. While a small increase above \$27.6M in FY2018 and less than \$1M short of our original sales budget, we recognized consistency in our customer base, higher volumes, price appreciation, and increased Outsourcing sales. We demonstrated determination and perseverance when confronted with changing market conditions, higher Cherrylake grown inventory, and increasing market inventory levels.

Across all Cherrylake-grown product lines, we saw marginal price appreciation at \$106.62, an increase from \$106.02. Our Ft. Pierce Palm Farm (FPPF) price appreciation of 12% (\$178.12 from \$156.18) was our largest increase, mostly due to selling more high value specialty material versus lower priced commodity material. Large container pricing remained stable (\$109.48 from \$108.97); however, shrub production pricing depreciated (\$62.52 from \$63.64). Shrub pricing is affected by our willingness to sell material at lower pricing in exchange for lower production maintenance cost. Stronger

market inventory contributed to price stability. We maintained relationships with our volume partners and targeted customers while being opportunistic with basic customers in order to increase market share.

Price appreciation brings value to the farm; however, our most important goal is consistent inventory flow. In FY2019, we exceeded our previous year's performance on volume. Overall movement increased 3.6% (237,751 from 229,061 total units) due mostly to rebounding large container production and higher shrub sales. Large container production returned to FY2017 sales levels with 238k units (3.8% increase from FY2017), and shrubs increased to 23k units (4.2% increase from FY2017). FPPF sales volume continues to be affected by Hurricane Irma damage. Sales volume dropped 14.3% this year, but we executed an aggressive planting plan with high demand items and remain very optimistic for the future.

Recapping the entire year, quarter one (July–September) continues to remain our slowest time

of year; however, without a major hurricane, we rebounded to FY2017 sales levels of \$5.92M. In quarter two, the team captured new momentum and increased sales to \$6.90M. Quarter three grew by 6% to \$7.38M; while, quarter four exploded, ending the year strong with \$8.85M in the last quarter.

Reviewing revenue geographically, Florida accounts for \$15.31M, Out-of-State accounts for \$10.22M, and Cherrylake accounts for \$3.48M of our total revenue. Reviewing geographically in units, Florida shipped 135K units, Out of State shipped 88K units, and Cherrylake Construction shipped 15K units.

Our sales strategies remain the same as previous years. We promote large container trees, shrubs, palms, and Outsourcing availability, while simultaneously focusing on the right customers.

Partner and targeted customers remain our priority, while also trying to serve the opportunistic basic customer segment. Several partner customers continue to purchase at historic levels with the assistance of competitive six-month pricing and strong relationships. We continue to strategically re-establish and build new targeted customers through project selling, quality material, and offering more availability through Outsourcing. Our basic customer segment is not a main focus; however, we are building this segment with quality material, competitive market pricing, and great customer service.

Production and Planning Teams have done a tremendous job of building 100% space utilization with our Master Plan. It is imperative that order fulfillment teams maintain inventory flow to ensure the entire farm operates efficiently. This requires





NOCATEE PROJECTS

Jennifer Brooks
Sales Representative

Nocatee, located primarily in northern St. Johns County and partially in Duval County, is one of the fastest growing and best selling, master-planned communities in the U.S. Sitting on 13,323 acres of land in Ponte Vedra, Florida, Nocatee provides high-end, quality living in a distinguished area. Since the early 2000s, Cherrylake has been very involved with a number of neighborhoods within Nocatee such as Timberland Ridge, Coastal Oaks, Twenty Mile, Artisan Lakes, and the Reserve Luxury Apartments.

In FY2019 we provided total solution packages to many of the projects within these neighborhoods including roadway expansions, neighborhood entryways, amenity centers, homes, businesses, and dog parks providing about \$2M worth of Cherrylake material. It is important

to note the projects we handle are often broken up between different customers. For example, builders of the homes in a neighborhood are not always the same as the people who oversee the entrance ways. This gives us the opportunity to work with various customers and alongside some of the largest landscape contractors on these projects. A number of our contractors, as well as three of our partner customers, have done a large amount of work in Nocatee.

This ongoing project is an opportunity for Cherrylake to continue to partner with customers to provide quality materials and services that benefit our customers and the community as a whole.

the Pricing Team to accurately set customer pricing, the Product Selection Team to implement FIFO processes, the Sales Team to strengthen customer relationships, and the Loading and Logistics Teams to execute the final step of safely shipping material. These teams are consistently performing at a high level everyday to ensure material is moving within the 3–4 month sales window.

While Outsourcing sales grew 11% and gross margin grew 6.3% in FY2018, we have bigger goals for FY2020 and beyond. In addition to Cherrylake Construction and Cherrylake Maintenance working closely together, we have set ambitious Farm sales goals of \$4.6M revenue (21% increase from FY2019 actuals) and \$600k gross margin (33.3% increase from FY2019 actuals) for FY2020. To help support these goals, we implemented an Outsourcing Operational Leadership Team in April 2019 focusing on strategic vision, profitability, analytics, vendor marketing agreements, and growth for the department. On the sales and order fulfillment level, we will have additional product lines available for sale late next year, better inventory gap management analytics, and a concerted effort and focus by the Sales Team.

As we shift our attention to FY2020, we strive to be great in all aspects of sales and order fulfillment. We have an organizational motto, “If it isn't broken, break it, and make it better”, and we will have that mindset in planning for the future. We will evaluate our pricing strategy, customer segments, team structure, personnel, and processes to ensure we are executing at the highest level. We will continue to be aligned with the most successful and professional customers, produce the highest quality plant material, and provide an excellent customer experience. We will utilize our ability to capitalize on every opportunity and continue improving every day.

Most importantly, we have a great team made up of exceptional people. We have developed a culture of success, team chemistry, and accountability within our Order Fulfillment Team. We have an excellent Management Team, and an industry-leading sales staff. Together, we expect to thrive and continue to push our organization to unprecedented success. 🌱



FARM OPERATIONAL EFFICIENCY

Todd Gentry
Director of Production Operations

FY2019 was an exciting year as we continued to make significant progress towards our goals of expanding the farm, implementation of a lean culture, and precision agriculture.

Over the last year, we continued to implement our plan to convert the remaining 98 acres of non-productive land at our Groveland location into farmland. FY2019 marked our 2nd year of a 3-year phase-out plan of our associated grower, Southern Hill Farms. By the end of June 2019, we were able to convert and plant an additional 20 acres needed toward this plan.

In addition, we have started relocating the production of our needled evergreens from our Sunridge Farm in Lake Wales to our main farm in Groveland. With the newly available space at Sunridge Farm, we plan on implementing a new plant pallet that is designed to be low maintenance and better aligned with the wet humid microclimate of that farm. The new Master Plan for the Sunridge Farm is still being formulated by the Operational Leadership Team and should begin implementation in FY2020.

FY2019 also marked our first ever containerized citrus trial, an exciting project which merges the expertise of Cherrylake and IMG Citrus. Our Production Team worked hand-in-hand with IMG Citrus to design and implement this trial. In April 2019, we planted approximately 2 acres of the mandarin varieties, Bingo and Tango, into 15



Above: A unique and innovative way to grow citrus, our Airpots® at Cherrylake provide complete access to a tree's root system, helping us to fight Greening through localized health treatments at the roots.

gallon Airpots®. Both groups were planted evenly into 2 different types of soil. By planting in containers, we benefit in a number of ways:

- Containers permit ultra high density planting at 1,000 trees per acre.
- Containers provide complete access to a tree's root system. We can help fight Greening with various plant health treatments localized on the roots with fertilizers, fungicide, insecticide, etc.
- Containers allow us better control of a tree's root system, leading to more accelerated growth and earlier fruit. At this speed, we anticipate experiencing the first harvest in years 2 or 3, instead of years 4 or 5, in ground plantings.
- Containers simplify the removal of trees for treatment, replacement, or retail market sales as an ornamental fruit tree.

This experimental planting was designed so the Airpot® container could easily be expanded in several years to allow for more root growth. It was also designed for a trellis system which can be erected in order to give both the tree and branches stability (similar to grape vines in a vineyard). We look forward to learning as this trial moves forward.

Each year we continue to focus and make progress on our lean initiative. Our Large Container Shifting Team shifted over 287,000 units with a record-high efficiency rating of 3.78 equivalent units per man hour. This is significant, because they were able to plant over 25K more units than last year, while simultaneously increasing their efficiency by 8%. In June of 2019, they set a new record for most units ever shifted in a single month with over 40K equivalent units. As a result, we were able to maintain 98% space efficiency across all sites, keeping our overheads spread over the maximum amount of units possible.

The concept of “Task on Time” (TOT) began a number of years ago in the Production Department. TOT’s purpose involves completing all of our maintenance related tasks on time, ultimately increasing quality while reducing grow time and expense. This started as a methodology and has since transformed into a work order based system. In FY2018, we implemented a new TOT process that tied into our ERP system. The new process allows Team Leaders

and Crew Leaders to assign work orders and report work completed in the field from their smartphone or tablet. In January of 2019, one year after its launch, we were able to start analyzing the data and publishing dashboards for our managers. The team’s goal was to answer three questions using the data collected in the field:

- 1.** What is our Productivity Capture Rate (PCR)?
We compared hours captured on a work order to hours paid through ADP for the same time period. As of June 2019, our PCR was 85.1% compared to 82.3% in 2018.
- 2.** Are we doing our tasks on time? For this, we generated graphs which show each species tasks needed to complete the plan and overlay the actuals based on the work orders.
- 3.** Are we efficient? To answer this, we compared our target Trees Per Hour (TPH) to our actual TPH.

With this new system, our Crew Leaders are more engaged and aware of how their crew is performing. They are able to plan ahead as they can see their workload sitting in the queue on their phone. This TOT system has proven to be powerful, and we are looking at expanding it to other departments such as Shifting, Herbicide, and Plant Health in the coming years.



PRECISION IRRIGATION

Austin Spivey
Production Manager

Our goal is to develop precision irrigation monitoring and control for a soilless-media container environment. The challenge with this task is that each tree represents its own root environment and no two container environments are connected. Further complicating matters are the range of container sizes, the root mass variations from different age crops, and the differing water demands by species type. Simply installing one sensor to monitor a large field, such as the technique with in-ground monoculture crop production, is grossly inadequate for our growing system.

Our approach is going to start very basic and slowly evolve into more automation. Data collection is the beginning phase to this multi-year project, which will allow us to compare different data points such as Volumetric Water Content with climatic data like Evapo-Transpiration. Over time, these correlations will begin to allow us to forecast the exact needs for each size, age, and variety of tree based on current weather patterns. Eventually, the hardware in the field will automatically dictate the beginning and ending of irrigation events based on pre-established thresholds. The intermediate goal within the coming year is to allow the system to suspend watering events when they meet a predetermined moisture threshold in the field. This will allow us to build confidence in the system while also mitigating potential risk of system malfunction.



Cherrylake has always been on the leading edge of new agricultural technologies as they became available in the marketplace. Even though over the past few years there have been significant advances in precision agriculture in the broader agricultural industry, finding products and technologies relating to containerized ornamental tree production has been a challenge. Despite this challenge, Cherrylake has continued trials with new products and technologies. We actively seek out new innovative solutions by attending various precision ag conferences, trade shows, webinars, and through networking with other growers from around the world. Through this focus, Cherrylake moved the needle significantly in our quest to become a more technical and environmentally responsible farmer.

In October of 2018, Cherrylake was awarded an agricultural cost share agreement from the St.

Johns River Water Management District (SJRWMD) in the amount of \$93K. The objective of the project was twofold. The first part involved updating and improving many of our irrigation valves in order to improve pressure regulation. The second part required the installation of numerous weather stations, complete with a variety of sensors including: soil moisture, soil temperature, wind, rain, air temperature, and others. By updating our valves and controlling the amount of water pressure which passes through them, we are able to ensure a more even distribution of water to our crops which will ultimately save us water, improve the health of the trees, and reduce wear and tear on our irrigation system. We are excited about the possibilities associated with the weather stations and telemetry devices. Once installed, the weather stations will help us collect microclimate weather data and tie that data to various aspects of crop production and

plant health (growth rates, pest and disease, frost and freeze, etc.). The soil moisture sensors will help us get a better understanding of the effectiveness of our irrigation systems, as well as how plants use the water. Ultimately, these sensors will help us make better decisions on our irrigation regimes and hopefully control the irrigation system to deliver water exactly when the plant needs it. In June of 2019, our Production Team began the process of researching the leading weather station brands and telemetry manufacturers available on the market. The cost share funding for this project runs until September 30th, 2019.

In October of 2018, we were first introduced to a new technology for pesticide sprayers being demonstrated at a conference in Tennessee. Our Production Managers immediately realized this technology could be very beneficial for Cherrylake. By April of 2019, we had the first unit in the state installed on our sprayer. This system is called the Intelligent Sprayer, manufactured by Smart Guided Systems. While this technology is newly available to the marketplace, it has been developed over the last 10 years by the USDA. This system uses a Li-Dar sensor mounted on the front of the sprayer, scanning crops and making decisions based on the height, width, spacing, and density of each tree. It then operates each spray nozzle individually based on what it sees. For example, if a tree only has leaves from 6ft to 10ft, it will only turn on the nozzles which sprays in that range. It also has the ability to pulse

Left: *Luis operating the new Intelligent Sprayer, a revolutionary technology which saves on cost while reducing our environmental impact.*

the nozzle in millisecond intervals, limiting the amount of chemical sprayed based on the density of the tree. The more dense the tree, the more chemical sprayed. This technology is revolutionary, having the potential to become the new standard for pesticide sprayers. In June of 2019, after 3 months of trialing this system, we found an average of 35% chemical savings, representing a payback of less than one year in \$120K annual savings. Technologies like this not only save us money, but they also help us become more environmentally friendly farmers, directly impacting our mission of sustainability. We are very excited about the possibility of this new technology and plan to apply for cost share funding to convert all of our sprayers in FY2020.

"In June of 2019, after 3 months of trialing this system, we found an average of 35% chemical savings, representing a payback of less than one year in \$120K annual savings. Technologies like this not only save us money, but they also help us become more environmentally friendly farmers..."

While we are open to all technology, we focus on products which help reduce our inputs while increasing quality and reducing our impact on the environment. The advancement of the internet of things (IOT), artificial intelligence (AI), sensors, and batteries will likely bring great things to the agricultural community, and Cherrylake plans to be at the forefront. 





CONSTRUCTION GROUP UPDATE

Aaron Morse

Director of Construction Administration

The Construction Group has continued to mature and refine its strategy in FY2019. The robust construction market has allowed us to target our sales strategy and focus on clients who value quality landscapes. We avoided the low-bid, low-margin projects which offset successful performance on other jobs in the past. Additionally, we continued to focus on lean construction practices and operational efficiency, resulting in another successful year in FY2019.

While total revenue had a small increase of 1.5%, our operating gross margin dollars increased over 36%; furthermore, our gross margin percentage increased from 24.1% in FY2018 to 32.5% in FY2019.

"[Leadership Team members] have embraced this growth opportunity, and they are working together to demonstrate Cherrylake's commitment to self-management, distributive decision making, transparency, and accountability."

A small portion of our success is attributed to our gains from 2018 projects which were completed in early 2019; however, most of our overwhelmingly positive results are directly correlated to strong performance.

We also moved forward on a significant change to the organizational structure of the Construction Group this year. The Construction Leadership Team's purpose is to focus on profitability, operational management, and strategic implementation of our group. The team's members include the Business Manager and Project Managers, who share common goals easily defined and measured through customer satisfaction, project quality, and net margin. The Leadership Team meets weekly to discuss all aspects of the business's finances, employees, sales, and operational effectiveness. They have embraced this growth opportunity, and they are working together to demonstrate Cherrylake's commitment to self-management, distributive decision making, transparency, and

Above: Tomas, one of Cherrylake's Foremen.
Bottom : A view of Universal's Aventura Resort.

accountability.

Established last year, the Superintendent position in the Construction Group helps manage the execution of our forces in the field, confirming our foremen and crews are prepared and working efficiently. This year, we filled our roster with the promotion of two Foremen to the position of Superintendent, and we now have a Superintendent working alongside each Project Manager. Because of team collaboration, each Project Manager has the ability to oversee a greater volume of work while simultaneously maintaining our customer service and project performance standards.

Our team accomplished a number of noteworthy projects this year including the completion of another phase within Golden Oak, the upscale residential community on Disney property. As one of the most luxurious places to live in Central Florida, Disney insists on the highest quality landscapes. Cherrylake constructed a striking \$2.3M entrance and boulevard with over 600 specimen trees. We worked throughout the year on two large renovations at Disney's Hollywood Studios as well. With the large expansion at Hollywood Studios, improvements were necessary at the guest entryway, parking lots, and roadways. Together, these projects total \$2.8M with 80% completed in FY2019.

At Universal Studios Orlando, we constructed the modern and stylish Aventura Resort, positioning lush plantings on the lower level and a landscaped



rooftop lounge on the 17th floor. We evolved our relationship with Meritage Homes with the construction of Hawk's Crest, a grand community of single-family homes located along the southern shores of Lake Howell in Winter Park. There are three phases of this project totaling \$1.85M. Everything was completed this year with the exception of the amenity. We also launched a new relationship with Lennar Homes in 2019 with the multi-phase project at Championsgate North. We completed four of the eight phases of this project, totaling over \$1M when complete.

In addition to construction projects, we continue to build our administrative infrastructure, focusing on continuous improvement and reducing waste. In estimating, we have implemented a new system allowing us to digitize blueprints and create estimates in a collaborative web-based environment. The new system allows us to recruit beyond our normal range, enabling us to hire an estimator working remotely. This system includes a pricing tool the Outsourcing Group maintains with current prices of trees and plants for use on our estimates, eliminating the need for the redundant pricing of every bid.

Another improvement in administration is the transfer of responsibility for the buyout tracking and forecasting of green goods to the Outsourcing



HORIZON COMMERCE PARK

Luis Perez
Project Manager

Horizon Commerce Park, a commercial business park, demonstrates the unique strengths of Cherrylake. Located east of the Florida Mall, Horizon Commerce Park is a 120-acre site containing twelve commercial buildings with approximately 1.5 million square feet of commercial office and warehouse space.

After four of the buildings were complete, Cherrylake was asked to bid on the project. The owner of the project, Eastgroup Properties, was searching for a landscape company with the ability to accurately address their

Group. Previously, the Construction Group would track the purchases from invoices after-the-fact and use this information to forecast the final costs on the project. Now the purchasers are tracking the costs, which they can see at the time of ordering. By keeping this information and using it to provide the forecasts, the purchasers are now more informed and accountable in relationship to the buyout of the project.

We are transitioning away from our construction project management system software and into Acumatica. This large project began in 2019, and it will be completed in 2020. This exciting transition will simplify the entry of project information into our system, ultimately improving the quality of the data we receive from the system. We are working closely with the IT Department and Accounting on this project. We look forward to its completion in FY2020.

Through the use of upgraded technology, we have been able to simplify our processes while also acting on our company's promise of sustainability, creating more positive results overall within the Construction Group. We will continue to bid and work on projects presented by clients who appreciate quality landscapes and who align with our company's core values. 

needs. The landscape design cost more than they initially budgeted, so they required a contractor to value-engineer the project. To solve their problem, we used a combination of our industry expertise and the inventory at Cherrylake. By shifting some of the code-required caliper inches from expensive trees such as Live Oaks to cost-effective trees like Bald Cypress, we were able to deliver a beautiful landscape of impactful trees at maximum value.

Additionally, the owner was unhappy with the drip irrigation system on the existing buildings. Because of our strong relationship with our irrigation vendor, we were able to collaborate with them, providing an improved irrigation design tailored to the customer's needs.

Our successful installation of the fifth building ultimately led us to contracts for the remaining seven buildings. This project will be completed in FY2020, totaling \$1.3M with a current path to finish 4.75% below budget.

We continue to provide value for the customer during the pre-construction of each building, offering value-engineering options while maintaining high standards. EastGroup Properties, impressed with the quality of our workmanship, materials, and communication, trusts Cherrylake, leading to opportunities for the Maintenance Group. Hired and currently maintaining all ten of the completed buildings, Cherrylake will have the opportunity to work with Eastgroup on more properties in the future.



MAINTENANCE GROUP UPDATE

Timothee Sallin
President

FY2019 was a challenging year for the Maintenance Group. We experienced strong revenue growth of 66% over the prior year; however, we were not able to achieve our margin goals. This was also a year of instability at the leadership level as our Director of Maintenance resigned midway through the year. We continue to learn about the maintenance industry and work on building the foundations of a strong business. There are many challenges to overcome in order to succeed in this space, but we remain confident we can acquire the operational know-how and strategic differentiation needed to achieve our desired revenue and margin goals in the future.

Revenue growth in 2019 came primarily from the acquisition of one large property, Trilogy Orlando. Trilogy Orlando, a maintenance free HOA community, contracted Cherrylake to provide services for 850 individual homes, in addition to the community's common areas. We were able to scale our operations, grow our team, and expand our fleet to meet the demands of this new property. Unfortunately, we underestimated the costs of maintaining the property as well as the challenges of managing the expectations of so many homeowners. As a result, we were not able to meet our profitability goals on this property, terminating the contract after the completion of the first year of service.

Trilogy Orlando represented 33% of our portfolio in 2019 and was

Left: *Nicole, Landscape Maintenance Account Manager, tends to a knock out rose bush on one of our customer's properties.*



the main factor bringing down our gross margin percentage for the group. Gross margin for 2019 was 35.6%, compared to a budget of 41.3% and actuals of 34.5% in 2018. Our expectations for a reasonable return on invested capital are gross margins between 40% and 45%.

With the departure of our Director of Maintenance and the termination of the Trilogy Orlando contract, we had the opportunity to restructure the group with an eye on building a higher performing team capable of scaling the operation. Since then, we have hired several new team members, including an Operational Leader and a Business Developer, who bring many years of experience and strong industry relationships to the team. In addition, we have implemented stronger operational dashboards and management tools to track hours, overtime, and profitability by property using Microsoft Power BI.

To better understand our budgeting and ensure more accurate estimating, we have rebuilt our estimating tool from the ground up. This has improved the accuracy and efficiency of our estimating, allowing us to make better pricing and sales decisions.

The maintenance business in Central Florida is a competitive low margin business. Large competitors are aggressively pursuing market share and putting pressure on prices. We believe that in order to be profitable, we need to differentiate our services, positioning Cherrylake as a preferred partner for the most discerning professional buyers. This strategy will require us to shift our focus from the HOA and apartment segments towards professional offices, hospitals, and hospitality segments.

In addition to targeting and acquiring the most profitable properties, we will continue to work on our operational efficiency. To this end, we are investing in training the Leadership Team and the workforce in lean, operational maintenance best practices, and leadership skills.

Despite the growing pains and challenges of learning a new business, we continue to see the potential for Cherrylake to become the leading provider of quality landscape maintenance services in Central Florida. Our competition is focused on low costs and market share, but they are not providing high levels of customer satisfaction. There remains an

Right: *Members of the Maintenance Operational Leadership Team, Connie and Ryan.*

“To better understand our budgeting and ensuring more accurate estimating, we have rebuilt our estimating tool from the ground up. This has improved the accuracy and efficiency of our estimating, allowing us to make better pricing and sales decisions.”

unmet need in the market for a commercial landscape maintenance company which can reliably provide clients with high quality landscapes, excellent customer service, transparency, and professionalism, while simultaneously promoting environmentally sustainable horticulture practices. We will continue to develop our competencies in this space and seek to fill this niche in a profitable and sustainable manner. Once we have the right formula for success, we believe there is a tremendous opportunity to rapidly scale the business and add substantial growth to the enterprise. 🌱



FINANCIAL HIGHLIGHTS: CHERRYLAKE

Includes Farm, Construction, Maintenance and Outsourcing groups
For the 12 months ending June 30th (in 000's except ratios)

		Net of inter-group elimination	
	Forecast 2020	Actual 2019	Actual 2018
Net Sales (incl. freight)	\$ 46,007	\$ 46,044	\$ 41,740
% sales growth	0%	10%	8%
Gross Margin	19,034	20,036	16,079
% of net sales	41.4%	43.5%	38.5%
Earnings from Operations (EBIT)	11,192	13,467	2,155
% of net sales	24.3%	29.2%	5.2%
EBITDA	12,591	14,795	3,471
% of net sales	27.4%	32.1%	8.3%
Extraordinary Items (Inventory / Discounted Ops)	1,895	2,065	(6,791)
Net Income	10,164	12,423	1,194
Capital Expenditures	3,786	3,050	1,500
Increase/(Decrease) in Inventory	1,046	3,445	(7,295)

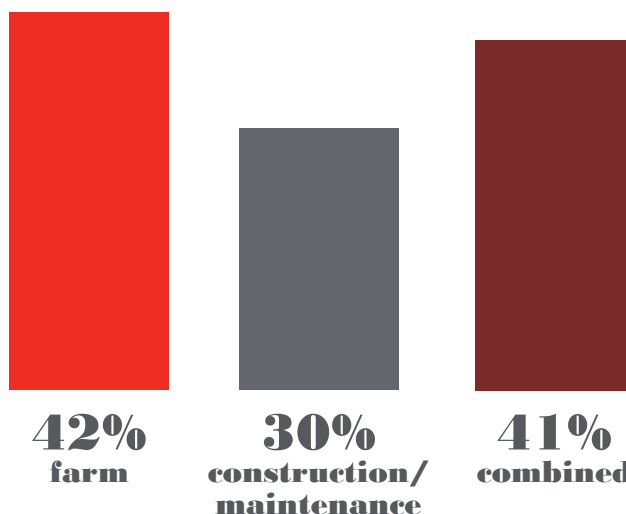
2020 Forecasted EBITDA

\$12.6
million

2020 Forecasted Net Sales

\$46
million

2020 Forecasted
Gross margin



Before inter-group elimination

FARM	Forecast 2020	Actual 2019	Actual 2018
SALES	\$ 28,629	\$ 29,256	\$ 26,588
<i>% of change</i>	-2%	10%	2%
30G EQ UNITS SOLD	243,500	237,793	229,601
<i>% of change</i>	2%	4%	-6%
30G EQ PRICE (FOB)	\$ 108.39	\$ 106.60	\$ 106.02
<i>% of change</i>	2%	1%	8%
GROSS MARGIN	\$ 13,280	\$ 14,158	\$ 11,852
<i>Gross Margin %</i>	46%	48%	45%
EBITDA	\$ 9,916	\$ 11,498	\$ 1,278
EBT	\$ 8,967	\$ 10,377	\$ (98)
30G EQ INVENTORY CHANGE	(4,102)	3,285	(12,064)
CAP EX	\$ 3,241	\$ 2,269	\$ 768
OUTSOURCING	Forecast 2020	Actual 2019	Actual 2018
SALES	\$ 4,600	\$ 3,688	\$ 3,262
GROSS MARGIN/EBITDA	\$ 600	\$ 358	\$ 348
<i>Gross Margin %</i>	13%	10%	11%
CONSTRUCTION & MAINTENANCE	Forecast 2020	Actual 2019	Actual 2018
SALES	\$ 16,965	\$ 16,911	\$ 15,640
PURCHASES FROM CHERRYLAKE	\$ 4,187	\$ 3,811	\$ 3,749
GROSS MARGIN	\$ 5,154	\$ 5,520	\$ 3,879
<i>Gross Margin %</i>	30%	33%	25%
EBITDA	\$ 2,075	\$ 2,939	\$ 1,846
EBT	\$ 1,197	\$ 2,046	\$ 1,292
ENDING BACKLOG	\$ 8,483	\$ 8,783	\$ 5,783
CAP EX	\$ 545	\$ 781	\$ 733



2019 CONSOLIDATED BALANCE SHEET @ BOOK VALUE**As of June 30 (000's of dollars)**

	IMGE	M&V	Eliminations	IMGE/M&V Consolidated
CURRENT ASSETS				
Cash & Cash Equivalent	\$ 722	\$ 12	-	\$ 734
Deposits/Prepays	702	-	-	702
Accounts Receivable	9,200	714	(137)	9,777
Inventory @ Cost	30,727	-	-	30,727
Other Receivables - Related Party	9,994	7,385	(9,585)	7,794
TOTAL CURRENT ASSETS	\$ 51,345	\$ 8,111	\$ (9,722)	\$ 49,734
PROPERTY, PLANT & EQUIPMENT				
Net Book Value of Depreciable Assets	\$ 7,352	-	-	\$ 7,352
Real Estate & Improvements @ Book Value	70,056	5,752	-	75,808
TOTAL PP&E @ BOOK VALUE	\$ 77,408	\$ 5,752	-	\$ 83,160
OTHER ASSETS				
	-	-	-	-
TOTAL ASSETS	\$ 128,753	\$ 13,863	\$ (9,722)	\$ 132,894
LIABILITIES				
Accounts Payable & Accrued Expenses	\$ 12,314	\$ 137	(137)	\$ 12,314
Long Term Debt to US Banks	44,458	-	-	44,458
Line of Credit with US Banks	15,659	-	-	15,659
Other Debt - Intercompany	-	9,585	(9,585)	-
TOTAL LIABILITIES	\$ 72,431	\$ 9,722	\$ (9,722)	\$ 72,431
EQUITY @ BOOK VALUE	56,322	4,141	-	60,463
TOTAL LIABILITIES & EQUITY	\$ 128,753	\$ 13,863	\$ (9,722)	\$ 132,894

Since July 1, 2005, IMG Enterprises, Inc. adopted Financial Accounting Standards Board (FASB) Interpretation No. 46R "Consolidation of Variable Interest Entities." The adoption of FIN 46R requires the company to consolidate M&V, LLC as a variable interest entity.

The objective of this interpretation is not to restrict the use of variable interest entities but to improve financial reporting by enterprises involved with variable interest entities. The FASB Board believes that if a business enterprise has a controlling financial interest in a variable interest entity, the assets, liabilities and results of the activities of the variable interest entity should be included in consolidated financial statements with those of the business enterprise.

Although IMG Enterprises, Inc. has no direct ownership or equity in M&V, LLC, M&V, LLC is owned by common owners of IMG Enterprises, Inc. and is primarily engaged in the business of owning and operating citrus groves. Under a marketing agreement, IMG Citrus has the exclusive right to market the citrus produced by M&V, LLC.

The consolidation of M&V, LLC and IMG Enterprises, Inc. was presented throughout this report to reconcile our audited financial statements and to provide a presentation that complies with FASB standards. However, this does not have any impact on the valuation of IMG Enterprises, Inc. stock because there is no equity relationship between the entities. The following are the financial highlights of IMG Enterprise, Inc. separate from M&V, LLC.

2019 CONSOLIDATED INCOME AND CASH FLOW STATEMENT
For the 12 months ending June 30 (000's of dollars)

	IMGE	M&V	Eliminations	IMGE/M&V Consolidated
CONSOLIDATED INCOME STATEMENT				
Total Net Sales	75,910	3,856	(2,377)	77,389
Cost of Goods Sold	52,275	1,515	\$ (2,320)	51,470
Total Gross Margin	23,635	2,341	\$ (57)	25,919
<i>Selling, General & Administration</i>	15,762	424	\$ (57)	16,129
<i>Other Income/(Loss)</i>	295	139		434
<i>Extra Ordinary Gain/(Loss)</i>	367	(634)		(267)
EBIT	8,902	1,422		9,957
<i>Add: Depreciation</i>	3,048	417		3,465
EBITDA	11,583	1,839		13,422
<i>Depreciation</i>	(3,048)	(417)		(3,465)
<i>Interest (Expense) Income</i>	(1,645)	(71)		(1,716)
EBT	6,890	1,351		8,241
Net Income	6,890	1,351		8,241
CONSOLIDATED CASH FLOW STATEMENT				
EBITDA	11,583	1,839		13,422
<i>Accounts Receivable</i>	1,936	642		2,578
<i>Inventories</i>	(7,924)	-		(7,924)
<i>Accounts Payable/Other</i>	7,566	3		7,569
Total Working Capital Change	1,578	645		2,223
<i>Capital Expenditures</i>	(39,072)	-		(39,072)
<i>Gain (Loss) on Sales/Other</i>	283	-		283
Investing Activities	(38,789)	-		(38,789)
Net Operating Cash Flow	(25,628)	2,484		(23,144)

IMG ENTERPRISES, INC. AND M&V, LLC

CAPITAL EXPENDITURES

As of June 30 (000's of dollars)

	Forecast 2020	Actual 2019	Actual 2018
CHERRYLAKE FARM			
H2 Housing	1,840,356	308,681	-
Central inventory Hub	254,511	600,853	-
Pine Block Improvements	91,534	158,767	-
Triangle Expansion	113,844	139,991	22,340
500 Gallon Power Blast Sprayer	25,000	-	-
Paint Loading Dock	10,500	-	-
Section 259 Conversion	28,045	-	-
Shade house repair	20,000	-	-
Loading Dock Elaeocarpus Screen	-	-	4,213
Greenhouse Benches & Repairs	-	-	45,662
Lake Timothee Enhancements	-	-	9,684
Employee Food Park	-	-	6,827
Vehicles	70,014	287,868	153,409
Equipment	786,613	680,132	377,356
Irrigation	-	70,250	148,198
Building & Improvements	-	22,419	-
TOTAL FARM	3,240,417	2,268,961	767,689
CHERRYLAKE CONSTRUCTION			
Construction Holding	60,000	-	-
Vehicles	205,061	237,956	189,122
Equipment	52,401	152,396	343,056
Computers	-	12,000	-
TOTAL CONSTRUCTION	317,462	402,352	532,178
CHERRYLAKE MAINTENANCE			
Maintenance Yard and Building	120,000	-	-
Vehicles	35,402	265,142	129,425
Equipment	72,394	113,071	70,998
TOTAL MAINTENANCE	227,796	378,213	200,423
TOTAL CHERRYLAKE	3,785,675	3,049,526	1,500,290
IMG CITRUS			
Vehicles	-	351,151	145,095
Equipment	2,289,500	2,166,435	517,900
Irrigation	404,340	7,062,450	-
Building & Improvements	27,000	126,000	24,868
Packinghouse Improvements	65,000	130,674	148,581
Grove Development	2,032,679	2,957,140	2,241,992
Grove Acquisition	-	7,856,000	4,227,040
Grove Trees	-	15,269,900	-
TOTAL IMG CITRUS	4,818,519	35,919,750	7,305,476
REAL ESTATE			
Land Purchases	-	102,434	-
Mitigation Bank	-	-	69,640
TOTAL IMG ENTERPRISES CAPEX	8,604,194	39,071,710	8,875,406

2019 CEO AWARD RECIPIENTS

Our CEO Award Recipients are celebrated during our annual State of the Company event. Prior to the State of the Company, we invite both Cherrylake and IMG Citrus employees to praise and recognize their co-workers who they feel embody our company values in an exceptional way. Congratulations to the 2019 CEO Award Recipients.

We communicate
openly and honestly



DAESY SOTO

We believe in
teamwork and respect
for people



LANCE LUTHER

We are passionate
about what we do



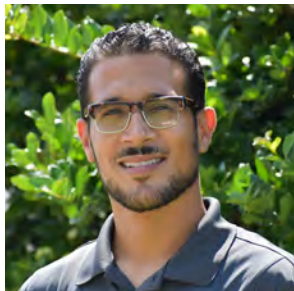
KRYSTI GOMEZ

We always propose a
solution



SCOTT KERR

We embrace
change, learning,
and innovation



JOSH ROSADO

We foster beauty,
cleanliness, and safety
of our environment



ARMANDO VAZQUEZ

We encourage
entrepreneurial
decision making



DUSTIN PETERSON

Project of the Year



TASK ON TIME
Cherrylake



FOOD SAFETY
IMG Citrus

Notes & Ideas

Notes & Ideas

cherrylake.com

cherrylakerealestate.com

imgcitrus.com

happyfoodcitrus.com

