

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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CALAVO GROWERS INC

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

FORM 10-Q

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

For the quarterly period ended April 30, 2022

or

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

For the transition period from _____ to _____

Commission File Number: 000-33385

CALAVO GROWERS, INC.

(Exact name of registrant as specified in its charter)

California

(State or other jurisdiction of
incorporation or organization)

33-0945304

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

1141-A Cummings Road, Santa Paula, California

(Address of principal executive offices)

93060

(Zip Code)

(805) 525-1245

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.001 par value per share	CVGW	Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company

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

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

Registrant's number of shares of common stock outstanding as of April 30, 2022 was 17,742,140

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 2, contains statements relating to future events and results of Calavo Growers, Inc. and its consolidated subsidiaries (referred to in this report as “Calavo,” the “Company,” “we,” “us” or “our”), including certain projections and business trends, that are “forward-looking statements,” as defined in the Private Securities Litigation and Reform Act of 1995, that involve risks, uncertainties and assumptions. These statements are based on our current expectations and are not promises or guarantees. If any of the risks or uncertainties ever materialize or the assumptions prove incorrect, the results of Calavo may differ materially from those expressed or implied by such forward-looking statements and assumptions. All statements, other than statements of historical fact, are statements that could be deemed forward-looking statements, including, but not limited to, any projections of revenue, gross profit, expenses, gain/(loss) on Limoneira shares, income/(loss) from unconsolidated entities, earnings, earnings per share, tax provisions, cash flows and currency exchange rates; the impact of COVID-19 on our business, results of operations and financial condition; the impact of acquisitions or debt or equity investments or other financial items; any statements of the plans, strategies and objectives of management for future operations, including execution of restructuring and integration (including information technology systems integration) plans; any statements regarding current or future macroeconomic trends or events and the impact of those trends and events on Calavo and its financial performance, whether attributable to Calavo or any of its unconsolidated entities; any statements regarding pending investigations, legal claims or tax disputes; any statements of expectation or belief; any risks associated with doing business internationally (including possible restrictive U.S. and foreign governmental actions, such as restrictions on transfers of funds and COVID-19 and trade protection measures such as import/export/customs duties, tariffs and/or quotas); any risks associated with receivables from and/or equity investments in unconsolidated entities; system security risk and cyber-attacks and any statements of assumptions underlying any of the foregoing.

Risks and uncertainties that may cause our actual results to be materially different from any future results expressed or implied by the forward-looking statements include, but are not limited to, the following: the ability of our future management team to work together successfully; the impact of Project Uno initiatives on our business, results of operations, and financial condition, including uncertainty as to whether the desired effects will be achieved; the impact of the COVID-19 pandemic on our business, results of operations, and financial condition, including, but not limited to, disruptions in the manufacturing of our products and the operations of the related supply chains supporting our ability to deliver our products to consumers, impacts on our employees and uncertainty regarding our ability to implement health and safety measures for our employees, uncertainties regarding consumer demand for our products, impact on our food service customers, increased costs, the impact of governmental trade restrictions imposed as a result of COVID-19 and the possible adverse impact of COVID-19 on our goodwill and other intangible assets; our ability to raise prices, particularly in our RFG and Foods segments, to offset increases in costs of goods sold, and the impact of such price increases on future net sales; seasonality of our business; sensitivity of our business to changes in market prices of avocados and other agricultural products and other raw materials including fuel, packaging and paper; potential disruptions to our supply chain; risks associated with potential future acquisitions, including integration; potential exposure to data breaches and other cyber-attacks on our systems or those of our suppliers or customers; dependence on large customers; dependence on key personnel, including personnel that have not yet been hired, and the ability of our future management team to work together successfully; potential for labor disputes; reliance on co-packers for a portion of our production needs; competitive pressures, including from foreign growers; risks of recalls and food-related injuries to our customers; changing consumer preferences; the impact of environmental regulations, including those related to climate change; risks associated with the environment and climate change, especially as they may affect our sources of supply; our ability to develop and transition new products and services and enhance existing products and services to meet customer needs; risks associated with doing business internationally (including possible restrictive U.S. and foreign governmental actions, such as restrictions on transfers of funds and COVID-19 and trade protection measures such as import/export/customs duties, tariffs and/or quotas and currency fluctuations); risks associated with receivables from, loans to and/or equity investments in unconsolidated entities, volatility in the value of our common stock; the impact of macroeconomic trends and events; and the resolution of pending investigations, legal claims and tax disputes, including an assessment imposed by the Mexican Tax Administrative Service (the “SAT”) and our defenses against collection activities commenced by the SAT.

For a further discussion of these risks and uncertainties and other risks and uncertainties that we face, please see the risk factors described in our most recent Annual Report on Form 10-K for the fiscal year ended October 31, 2021 filed with the Securities and Exchange Commission and any subsequent updates that may be contained in our Quarterly Reports on Form 10-Q (including this Quarterly Report on Form 10-Q) and other filings with the Securities and Exchange Commission. Forward-looking statements contained in this Quarterly Report on Form 10-Q are made only as of the date of this report, and we

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undertake no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

CALAVO GROWERS, INC.

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PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****CALAVO GROWERS, INC.****CONSOLIDATED CONDENSED BALANCE SHEETS
(UNAUDITED, in thousands)**

	<u>April 30,</u> <u>2022</u>	<u>October 31,</u> <u>2021</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,317	\$ 1,885
Restricted cash	949	970
Accounts receivable, net of allowances of \$4,569 (2022) and \$4,816 (2021)	103,153	78,866
Inventories	53,617	40,757
Prepaid expenses and other current assets	9,333	11,946
Advances to suppliers	7,904	6,693
Income taxes receivable	8,664	11,524
Total current assets	<u>185,937</u>	<u>152,641</u>
Property, plant, and equipment, net	114,778	118,280
Operating lease right-of-use assets	57,042	59,842
Investment in Limoneira Company	20,027	27,055
Investments in unconsolidated entities	3,802	4,346
Deferred income taxes	5,316	5,316
Goodwill	28,653	28,653
Intangibles, net	7,992	8,769
Other assets	44,745	40,500
	<u>\$468,292</u>	<u>\$445,402</u>
Liabilities and shareholders' equity		
Current liabilities:		
Payable to growers	\$ 52,105	\$ 23,033
Trade accounts payable	18,639	9,794
Accrued expenses	50,086	42,063
Dividend payable	—	20,330
Other current liabilities	11,000	11,000
Current portion of operating leases	6,879	6,817
Current portion of long-term obligations and finance leases	1,539	1,587
Total current liabilities	<u>140,248</u>	<u>114,624</u>
Long-term liabilities:		
Borrowings pursuant to credit facilities, long-term	41,900	37,700
Long-term operating leases, less current portion	54,760	57,561
Long-term obligations and finance leases, less current portion	4,647	5,553
Other long-term liabilities	2,970	3,081
Total long-term liabilities	<u>104,277</u>	<u>103,895</u>
Commitments and contingencies		
Shareholders' equity:		

Common stock (\$0.001 par value, 100,000 shares authorized; 17,742 and 17,686 shares issued and outstanding as of April 30, 2022 and October 31, 2021, respectively)

	18	18
Additional paid-in capital	169,453	168,133
Noncontrolling interest	1,166	1,368
Retained earnings	53,130	57,364
Total shareholders' equity	<u>223,767</u>	<u>226,883</u>
	<u>\$468,292</u>	<u>\$445,402</u>

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The accompanying notes are an integral part of these consolidated condensed financial statements.

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

	Three months ended		Six months ended	
	April 30,		April 30,	
	2022	2021	2022	2021
Net sales	\$331,418	\$276,821	\$605,510	\$497,399
Cost of sales	309,677	254,221	570,541	456,960
Gross profit	21,741	22,600	34,969	40,439
Selling, general and administrative	16,605	13,683	31,853	27,857
Expenses related to Mexican tax matters	478	—	845	—
Impairment and charges related to RFG Florida facility closure	305	—	959	—
Gain on sale of Temecula packinghouse	(54)	(54)	(108)	(108)
Operating income	4,407	8,971	1,420	12,690
Interest expense	(460)	(191)	(787)	(365)
Other income, net	496	411	1,155	612
Unrealized net gain (loss) on Limoneira shares	(4,898)	3,506	(7,028)	7,095
Income (loss) before income taxes and loss from unconsolidated entities	(455)	12,697	(5,240)	20,032
Income tax (provision) benefit	187	(2,772)	1,347	(4,715)
Net loss from unconsolidated entities	(8)	(1,131)	(543)	(1,286)
Net income (loss)	(276)	8,794	(4,436)	14,031
Add: Net loss attributable to noncontrolling interest	85	47	202	87
Net income (loss) attributable to Calavo Growers, Inc.	<u>\$ (191)</u>	<u>\$ 8,841</u>	<u>\$ (4,234)</u>	<u>\$ 14,118</u>
Calavo Growers, Inc.'s net income (loss) per share:				
Basic	<u>\$ (0.01)</u>	<u>\$ 0.50</u>	<u>\$ (0.24)</u>	<u>\$ 0.80</u>
Diluted	<u>\$ (0.01)</u>	<u>\$ 0.50</u>	<u>\$ (0.24)</u>	<u>\$ 0.80</u>
Number of shares used in per share computation:				
Basic	<u>17,664</u>	<u>17,619</u>	<u>17,659</u>	<u>17,609</u>
Diluted	<u>17,664</u>	<u>17,679</u>	<u>17,659</u>	<u>17,668</u>

The accompanying notes are an integral part of these consolidated condensed financial statements.

CALAVO GROWERS, INC.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in thousands)

	Six months ended April 30,	
	2022	2021
Cash Flows from Operating Activities:		
Net income (loss)	\$ (4,436)	\$ 14,031
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	8,405	8,371
Non-cash operating lease expense	61	59
Net loss from unconsolidated entities	543	1,286
Unrealized net loss (gain) on Limoneira shares	7,028	(7,095)
Impairment and non-cash charges related to closure of RFG Florida facility	317	—
Stock-based compensation expense	1,368	2,264
Gain on sale of Temecula packinghouse	(108)	(108)
Effect on cash of changes in operating assets and liabilities:		
Accounts receivable, net	(24,287)	(26,400)
Inventories	(12,950)	(11,579)
Prepaid expenses and other current assets	13	2,700
Advances to suppliers	(1,211)	(4,460)
Income taxes receivable/payable	2,860	8,172
Other assets	(1,645)	(5,126)
Payable to growers	29,072	20,044
Trade accounts payable, accrued expenses and other liabilities	16,302	8,264
Net cash provided by operating activities	<u>21,332</u>	<u>10,423</u>
Cash Flows from Investing Activities:		
Purchases of property, plant, and equipment	(3,787)	(7,659)
Infrastructure advance to tomato growers	—	(1,326)
Net cash used in investing activities	<u>(3,787)</u>	<u>(8,985)</u>
Cash Flows from Financing Activities:		
Payment of dividend to shareholders	(20,330)	(20,343)
Proceeds from revolving credit facility	168,800	172,600
Payments on revolving credit facility	(164,600)	(150,900)
Payments of minimum withholding taxes on net share settlement of equity awards	(95)	(602)
Payments on long-term obligations and finance leases	(956)	(713)
Proceeds from stock option exercises	47	47
Net cash provided by (used in) financing activities	<u>(17,134)</u>	<u>89</u>
Net increase in cash, cash equivalents and restricted cash	411	1,527
Cash, cash equivalents and restricted cash, beginning of period	2,855	4,055
Cash, cash equivalents and restricted cash, end of period	<u>\$ 3,266</u>	<u>\$ 5,582</u>
Noncash Investing and Financing Activities:		
Right of use assets obtained in exchange for new financing lease obligations	\$ —	\$ 665
Property, plant, and equipment included in trade accounts payable and accrued expenses	<u>\$ 878</u>	<u>\$ 522</u>

The accompanying notes are an integral part of these consolidated condensed financial statements.

CALAVO GROWERS, INC.

CONSOLIDATED CONDENSED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)
(in thousands)

	Common Stock		Additional		Noncontrolling Interest	Total
	Shares	Amount	Paid-in Capital	Retained Earnings		
Balance, October 31, 2020	17,661	\$ 18	\$ 165,000	\$ 89,512	\$ 1,472	\$256,002
Exercise of stock options and income tax benefit	2	—	47	—	—	47
Payment of min. withholding of taxes on net share settlement of equity awards	—	—	(467)	—	—	(467)
Stock compensation expense	—	—	907	—	—	907
Restricted stock issued	23	—	—	—	—	—
Avocados de Jalisco noncontrolling interest contribution	—	—	—	—	(40)	(40)
Net income attributable to Calavo Growers, Inc.	—	—	—	5,277	—	5,277
Balance, January 31, 2021	<u>17,686</u>	<u>18</u>	<u>165,487</u>	<u>94,789</u>	<u>1,432</u>	<u>261,726</u>
Stock compensation expense	—	—	1,357	—	—	1,357
Payments of minimum withholding taxes on net share settlement of equity awards	(2)	—	(135)	—	—	(135)
Avocados de Jalisco noncontrolling interest contribution	—	—	—	—	(47)	(47)
Net income attributable to Calavo Growers, Inc.	—	—	—	8,841	—	8,841
Balance, April 30, 2021	<u>17,684</u>	<u>\$ 18</u>	<u>\$ 166,709</u>	<u>\$103,630</u>	<u>\$ 1,385</u>	<u>\$271,742</u>

	Common Stock		Additional		Noncontrolling Interest	Total
	Shares	Amount	Paid-in Capital	Retained Earnings		
Balance, October 31, 2021	17,686	\$ 18	\$ 168,133	\$ 57,364	\$ 1,368	\$226,883
Exercise of stock options and income tax benefit	2	—	47	—	—	47
Payment of min. withholding of taxes on net share settlement of equity awards	—	—	(44)	—	—	(44)
Stock compensation expense	—	—	556	—	—	556
Restricted stock issued	28	—	—	—	—	—
Avocados de Jalisco noncontrolling interest contribution	—	—	—	—	(117)	(117)
Net loss attributable to Calavo Growers, Inc.	—	—	—	(4,043)	—	(4,043)
Balance, January 31, 2022	<u>17,716</u>	<u>18</u>	<u>168,692</u>	<u>53,321</u>	<u>1,251</u>	<u>223,282</u>
Stock compensation expense	—	—	812	—	—	812
Restricted stock issued	26	—	—	—	—	—
Payments of minimum withholding taxes on net share settlement of equity awards	—	—	(51)	—	—	(51)
Avocados de Jalisco noncontrolling interest contribution	—	—	—	—	(85)	(85)
Net loss attributable to Calavo Growers, Inc.	—	—	—	(191)	—	(191)
Balance, April 30, 2022	<u>17,742</u>	<u>\$ 18</u>	<u>\$ 169,453</u>	<u>\$ 53,130</u>	<u>\$ 1,166</u>	<u>\$223,767</u>

See accompanying notes to consolidated condensed financial statements.

CALAVO GROWERS, INC.

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)**

1. Description of the business

Business

Calavo Growers, Inc. (referred to in this report as “Calavo”, the “Company”, “we”, “us” or “our”), is a global leader in the avocado industry and a provider of value-added fresh food. Our expertise in marketing and distributing avocados, prepared avocados, and other perishable foods allows us to deliver a wide array of fresh and prepared food products to retail grocery, foodservice, club stores, mass merchandisers, food distributors and wholesalers on a worldwide basis. We procure avocados from California, Mexico and other growing regions around the world. Through our various operating facilities, we (i) sort, pack, and/or ripen avocados, tomatoes and/or Hawaiian grown papayas, (ii) create, process and package a portfolio of healthy fresh foods including fresh-cut fruit and vegetables, and prepared foods and (iii) process and package guacamole and salsa. We distribute our products both domestically and internationally and report our operations in three different business segments: Fresh products, Renaissance Food Group (RFG) and Calavo Foods.

The accompanying unaudited consolidated condensed financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, the accompanying unaudited consolidated condensed financial statements contain all adjustments, consisting of adjustments of a normal recurring nature necessary to present fairly the Company’s financial position, results of operations and cash flows. The results of operations for interim periods are not necessarily indicative of the results that may be expected for a full year. These statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended October 31, 2021.

Recently Adopted Accounting Standards

In December 2019, the Financial Accounting Standards Board issued ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes," which amends and simplifies the accounting for income taxes by removing certain exceptions and providing new guidance to reduce complexity in certain aspects of the current guidance. This guidance was adopted by the Company during the first quarter of 2022 and did not impact the Company’s financial statements or related disclosures.

2. Information regarding our operations in different segments

We report our operations in three different business segments: (1) Fresh products, (2) RFG, and (3) Calavo Foods. These three business segments are presented based on how information is used by our Chief Executive Officer (our Chief Operating Decision Maker) to measure performance and allocate resources. The Fresh products segment includes operations that involve the distribution of avocados and other fresh produce products. The RFG segment represents operations related to the manufacturing and distribution of fresh-cut fruit, fresh-cut vegetables, and prepared foods. The Calavo Foods segment represents operations related to the purchase, manufacturing, and distribution of prepared avocado products, including guacamole, and salsa. Selling, general and administrative expenses, as well as other non-operating income/expense items, are evaluated by our Chief Executive Officer in the aggregate. We do not allocate



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assets, or specifically identify them, to our operating segments. The sales data in the following tables is presented in thousands:

	Three months ended April 30, 2022				Three months ended April 30, 2021			
	Fresh products	RFG	Calavo Foods	Total	Fresh products	RFG	Calavo Foods	Total
Avocados	\$191,754	\$ —	\$ —	\$191,754	\$146,359	\$ —	\$ —	\$146,359
Tomatoes	17,353	—	—	17,353	13,433	—	—	13,433
Papayas	2,743	—	—	2,743	2,647	—	—	2,647
Other fresh income	8	—	—	8	126	—	—	126
Fresh-cut fruit	—	48,829	—	48,829	—	48,006	—	48,006
Fresh-cut vegetables	—	26,777	—	26,777	—	25,215	—	25,215
Prepared products	—	27,380	20,809	48,189	—	23,790	20,915	44,705
Salsa	—	—	403	403	—	—	696	696
Total gross sales	211,858	102,986	21,212	336,056	162,565	97,011	21,611	281,187
Less sales allowances	(861)	(827)	(1,397)	(3,085)	(879)	(722)	(875)	(2,476)
Less inter-company eliminations	(486)	—	(1,067)	(1,553)	(717)	—	(1,173)	(1,890)
Net sales	<u>\$210,511</u>	<u>\$102,159</u>	<u>\$18,748</u>	<u>\$331,418</u>	<u>\$160,969</u>	<u>\$96,289</u>	<u>\$19,563</u>	<u>\$276,821</u>

	Six months ended April 30, 2022				Six months ended April 30, 2021			
	Fresh products	RFG	Calavo Foods	Total	Fresh products	RFG	Calavo Foods	Total
Avocados	\$342,258	\$ —	\$ —	\$342,258	\$250,130	\$ —	\$ —	\$250,130
Tomatoes	27,340	—	—	27,340	22,619	—	—	22,619
Papayas	5,783	—	—	5,783	5,397	—	—	5,397
Other fresh income	33	—	—	33	454	—	—	454
Fresh-cut fruit	—	92,202	—	92,202	—	90,950	—	90,950
Fresh-cut vegetables	—	54,863	—	54,863	—	54,804	—	54,804
Prepared products	—	52,198	39,219	91,417	—	42,508	37,753	80,261
Salsa	—	—	824	824	—	—	1,408	1,408
Total gross sales	375,414	199,263	40,043	614,720	278,600	188,262	39,161	506,023
Less sales allowances	(1,832)	(1,340)	(3,100)	(6,272)	(1,455)	(1,667)	(1,967)	(5,089)
Less inter-company eliminations	(1,090)	—	(1,848)	(2,938)	(1,243)	—	(2,292)	(3,535)
Net sales	<u>\$372,492</u>	<u>\$197,923</u>	<u>\$35,095</u>	<u>\$605,510</u>	<u>\$275,902</u>	<u>\$186,595</u>	<u>\$34,902</u>	<u>\$497,399</u>

	Fresh products	RFG	Calavo Foods	Interco. Elimin.	Total
(All amounts are presented in thousands)					
Three months ended April 30, 2022					
Net sales	\$210,997	\$102,159	\$19,815	\$(1,553)	\$331,418
Cost of sales	192,841	99,915	18,474	(1,553)	309,677
Gross profit	<u>\$ 18,156</u>	<u>\$ 2,244</u>	<u>\$ 1,341</u>	<u>\$ —</u>	<u>\$ 21,741</u>
Three months ended April 30, 2021					
Net sales	\$161,686	\$ 96,289	\$20,736	\$(1,890)	\$276,821
Cost of sales	146,678	94,001	15,432	(1,890)	254,221
Gross profit	<u>\$ 15,008</u>	<u>\$ 2,288</u>	<u>\$ 5,304</u>	<u>\$ —</u>	<u>\$ 22,600</u>



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	Fresh products	RFG	Calavo Foods	Interco. Elimins.	Total
(All amounts are presented in thousands)					
Six months ended April 30, 2022					
Net sales	\$373,582	\$197,923	\$36,943	\$(2,938)	\$605,510
Cost of sales	343,760	196,331	33,388	(2,938)	570,541
Gross profit	<u>\$ 29,822</u>	<u>\$ 1,592</u>	<u>\$ 3,555</u>	<u>\$ —</u>	<u>\$ 34,969</u>
Six months ended April 30, 2021					
Net sales	\$277,145	\$186,595	\$37,194	\$(3,535)	\$497,399
Cost of sales	248,992	184,329	27,174	(3,535)	456,960
Gross profit	<u>\$ 28,153</u>	<u>\$ 2,266</u>	<u>\$10,020</u>	<u>\$ —</u>	<u>\$ 40,439</u>

For the three months ended April 30, 2022 and 2021, intercompany sales and cost of sales of \$0.5 million and \$0.7 million between Fresh products and RFG were eliminated. For the three months ended April 30, 2022 and 2021, intercompany sales and cost of sales of \$1.1 million and \$1.2 million between Calavo Foods and RFG were eliminated. For the six months ended April 30, 2022 and 2021, intercompany sales and cost of sales of \$1.1 million and \$1.2 million between Fresh products and RFG were eliminated. For the six months ended April 30, 2022 and 2021, intercompany sales and cost of sales of \$1.8 million and \$2.3 million between Calavo Foods and RFG were eliminated.

Sales to customers outside the U.S. were approximately \$8.3 million, and \$8.8 million for the three months ended April 30, 2022 and 2021. Sales to customers outside the U.S. were approximately \$15.4 million, and \$16.9 million for the six months ended April 30, 2022 and 2021.

Our foreign operations in Mexico are subject to exchange rate fluctuations and foreign currency transaction costs. The functional currency of our foreign subsidiaries in Mexico is the United States dollar (U.S. dollar). As a result, monetary assets and liabilities are translated into U.S. dollars at exchange rates as of the balance sheet date and non-monetary assets, liabilities and equity are translated at historical rates. Sales and expenses are translated using a weighted-average exchange rate for the period. Gains and losses resulting from those remeasurements and foreign currency transactions are recognized within cost of sales. We recognized foreign currency remeasurement losses in the current quarter. These losses were due primarily to certain long-term net peso receivables. Foreign currency remeasurement losses, net of gains, for the three months ended April 30, 2022 and 2021 was \$0.3 million and \$0.5 million. Foreign currency remeasurement losses, net of gains, for the six months ended April 30, 2022 was \$0.9 million. Foreign currency remeasurement gains, net of losses, for the six months ended April 30, 2021 was \$0.6 million.

Long-lived assets attributed to geographic areas as of April 30, 2022 and October 31, 2021, are as follows (in thousands):

	United States	Mexico	Consolidated
April 30, 2022	\$ 78,604	\$ 36,174	\$ 114,778
October 31, 2021	\$ 81,059	\$ 37,221	\$ 118,280

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3. Inventories

Inventories consist of the following (in thousands):

	<u>April 30,</u> <u>2022</u>	<u>October 31,</u> <u>2021</u>
Fresh fruit	\$31,633	\$ 17,648
Packing supplies and ingredients	14,539	13,088
Finished prepared foods	7,445	10,021
Total	<u>\$53,617</u>	<u>\$ 40,757</u>

Inventories are stated at the lower of cost or net realizable value. We periodically review the value of items in inventory and record any necessary write downs of inventory based on our assessment of market conditions. Inventory includes reserves of \$0.4 million and \$0.2 million in slow moving and obsolete packing supply inventory as of April 30, 2022 and October 31, 2021.

4. Related party transactions

Board of Directors

Certain members of our Board of Directors market California avocados through Calavo pursuant to marketing agreements substantially similar to the marketing agreements that we enter into with other growers. For the three months ended April 30, 2022 and 2021, the aggregate amount of avocados procured from entities owned or controlled by members of our Board of Directors was \$1.4 million and \$5.0 million. For the six months ended April 30, 2022 and 2021, the aggregate amount of avocados procured from entities owned or controlled by members of our Board of Directors was \$1.6 million and \$5.0 million. Amounts payable to these Board members were \$0.5 million as of April 30, 2022. We did not have any amounts payable to these Board members as of October 31, 2021.

Limoneira

During the three months ended April 30, 2022 and 2021, we received \$0.1 million as dividend income from Limoneira Company (Limoneira). During the six months ended April 30, 2022 and 2021, we received \$0.2 million as dividend income from Limoneira. In addition, we lease office space from Limoneira for our corporate office. We paid rent expense to Limoneira totaling \$0.1 million for the three months ended April 30, 2022 and 2021. We paid rent expense to Limoneira totaling \$0.2 million for the six months ended April 30, 2022 and 2021. Harold Edwards, who resigned as a member of our Board of Directors in February 2022, is the Chief Executive Officer of Limoneira Company. As of April 30, 2022, we own approximately 9% of Limoneira's outstanding shares. In February 2022, Limoneira ended its marketing agreement with Calavo. The termination of this agreement is not expected to have a significant effect on either sales or results of operations.

Agricola Don Memo, S.A. de C.V. ("Don Memo")

Calavo and Agrícola Belher ("Belher") have an equal one-half ownership interest in Don Memo. Pursuant to a management service agreement, Belher, through its officers and employees, has day-to-day power and authority to manage the operations.

As of April 30, 2022, and October 31, 2021, we had an investment of \$3.8 million and \$4.3 million, representing Calavo's 50% ownership in Don Memo, which was included as an investment in unconsolidated entities on our balance sheet. We make advances to Don Memo for operating purposes, provide additional advances as shipments are made during the season, and return the proceeds from tomato sales under our marketing program to Don Memo, net of our commission and aforementioned advances. As of April 30, 2022 and October 31, 2021, we had outstanding advances of \$4.2 million and \$4.2 million to

Don Memo. In October 2020, we entered into an infrastructure loan agreement with Don Memo for up to \$2.4 million secured by certain property and equipment of Don Memo. This infrastructure loan accrues

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interest at 7.25%. In October 2020, we funded \$0.7 million related to this loan agreement, and we funded an additional \$0.7 million, and \$0.6 million in the first, and second quarters of fiscal 2021, for a total outstanding balance at April 30, 2022 of \$2.0 million (\$0.4 million is included in prepaids and other current assets and \$1.6 million in other assets). This infrastructure loan agreement will mature in fiscal 2024. During the three months ended April 30, 2022 and 2021, we incurred \$0.5 million and \$0.4 million of cost of sales to Don Memo pursuant to our purchase consignment agreement. During the six months ended April 30, 2022 and 2021, we incurred \$3.9 million and \$3.9 million of cost of sales to Don Memo pursuant to our purchase consignment agreement.

Belher

We make advances to Belher for operating purposes, provide additional advances as shipments are made during the season, and return the proceeds from tomato sales under our marketing program to Belher, net of our commission and aforementioned advances. We had grower advances due from Belher totaling \$1.8 million and \$4.5 million as of April 30, 2022 and October 31, 2021, which are netted against the grower payable. In addition, we had infrastructure advances due from Belher of \$0.9 million as of April 30, 2022 and October 31, 2021. These infrastructure advances were recorded as a receivable in prepaid and other current assets as of April 30, 2022 and October 31, 2021. In July 2021, we made a bridge loan of \$3.5 million to Belher. This loan is secured by certain farmland in Mexico and accrues interest at 10%. In the first quarter of fiscal 2022, this loan was amended to be due with installments of \$0.9 million on July 31, 2022, \$0.9 million on July 31, 2023 and \$1.7 million on July 31, 2024. This bridge loan has been recorded as \$0.9 million in prepaid expenses and other current assets and \$2.6 million in other assets. As part of this amended loan agreement, we can withhold payments on both the infrastructure advances and the bridge loan through the netting against the grower payable due to Belher. For the three and six months ended April 30, 2022, we withheld \$1.0 million from payments to Belher to offset infrastructure advances and the bridge loan repayments. During the three months ended April 30, 2022 and 2021, we incurred \$14.6 million and \$11.2 million of cost of sales to Belher pursuant to our purchase consignment agreement. During the three months ended April 30, 2022 and 2021, we incurred \$18.0 million and \$14.5 million of cost of sales to Belher pursuant to our purchase consignment agreement.

Avocados de Jalisco, S.A.P.I. de C.V. ("Avocados de Jalisco")

In August 2015, we entered into a Shareholder's Agreement with various Mexican partners and created Avocados de Jalisco. Avocados de Jalisco is a Mexican corporation created to engage in procuring, packing and selling avocados. As of April 30, 2022, this entity was approximately 83% owned by Calavo and was consolidated in our financial statements. Avocados de Jalisco built a packinghouse located in Jalisco, Mexico, which began operations in June of 2017. During the three months ended April 30, 2021 we purchased approximately \$1.0 million of avocados from the partners of Avocados de Jalisco. During the six months ended April 30, 2022 and 2021, we purchased approximately \$3.5 million and \$3.2 million of avocados from the partners of Avocados de Jalisco.

5. Other assets and Intangibles

Other assets consist of the following (in thousands):

	April 30, 2022	October 31, 2021
Mexican IVA (i.e. value-added) taxes receivable (see note 11)	\$39,830	\$ 37,493
Infrastructure advances to Agricola Belher	1,641	1,641
Bridge loan to Agricola Belher	2,600	—
Other	674	1,366
Total	\$44,745	\$ 40,500

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Intangible assets consist of the following (in thousands):

	Weighted-Average Useful Life	April 30, 2022			October 31, 2021		
		Gross Carrying Value	Accum. Amortization	Net Book Value	Gross Carrying Value	Accum. Amortization	Net Book Value
Customer list/relationships	7 years	\$17,340	\$ (10,681)	\$6,659	\$17,340	\$ (9,989)	\$7,351
Trade names	11 years	4,060	(3,040)	1,020	4,060	(2,980)	1,080
Trade secrets/recipes	9 years	630	(592)	38	630	(567)	63
Brand name intangibles	indefinite	275	—	275	275	—	275
Intangibles, net		<u>\$22,305</u>	<u>\$ (14,313)</u>	<u>\$7,992</u>	<u>\$22,305</u>	<u>\$ (13,536)</u>	<u>\$8,769</u>

We anticipate recording amortization expense of \$0.8 million for the remainder of fiscal 2022, \$1.5 million for fiscal year 2023, \$1.5 million for fiscal year 2024, \$1.5 million for fiscal year 2025, and \$2.4 million thereafter.

6. Stock-Based Compensation

In April 2011, our shareholders approved the Calavo Growers, Inc. 2011 Management Incentive Plan (the “2011 Plan”). All directors, officers, employees and consultants (including prospective directors, officers, employees and consultants) of Calavo and its subsidiaries are eligible to receive awards under the 2011 Plan. Shares were issuable under the 2011 Plan through December 2020. On April 21, 2021, the shareholders of Calavo approved the Calavo Growers, Inc. 2020 Equity Incentive Plan (the “2020 Plan”). This is a five-year plan, with up to 1,500,000 shares that are issuable pursuant to awards that may be made through December 9, 2025.

Restricted Stock Awards

On December 13, 2021, certain of our officers were granted a total of 5,355 restricted shares. These shares have full voting rights and participate in dividends as if unrestricted. The closing price of our stock on such date was \$40.53. These shares vest over two years, on an annual basis, beginning December 13, 2022. These shares were granted pursuant to our 2020 Plan. The total recognized stock-based compensation expense for these grants was less than \$0.1 million for the three and six months ended April 30, 2022.

On January 3, 2022, all 10 of our current directors were granted 2,814 restricted shares each (for a total of 28,140 shares). These shares have full voting rights and participate in dividends as if unrestricted. The closing share price of our stock on such grant date was \$42.64. As of January 3, 2023, these shares will vest and become unrestricted subject to the continued service of the director. The total recognized stock-based compensation expense for these grants was \$0.3 million and \$0.4 million for the three and six months ended April 30, 2022.

On January 20, 2022, one of our current directors was granted 1,500 unrestricted shares as a component of her compensation for services rendered during the 2021 fiscal year. The closing share price of our stock on such grant date was \$41.73. The stock-based compensation expense for this grant was recognized in total upon grant and aggregated \$0.1 million for the three and six months ended April 30, 2022.

On February 1, 2022, Brian Kocher, our new Chief Executive Officer, was granted 28,993 of restricted shares as part of his employment agreement. The closing share price of our stock on such grant date was \$41.39. These shares will vest over three years on an annual basis, beginning February 1, 2023. The total recognized stock-based compensation expense for this grant was \$0.1 million for the three and six months ended April 30, 2022.

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A combined summary of restricted stock award activity, related to our 2011 and 2020 Plans, is as follows (in thousands, except for per share amounts):

	Number of Shares	Weighted-Average Grant Price	Aggregate Intrinsic Value
Outstanding at October 31, 2021	43	\$ 64.89	
Vested	(31)	\$ 45.44	
Forfeited	(1)	\$ 44.57	
Granted	64	\$ 41.88	
Outstanding at April 30, 2022	<u>75</u>	<u>\$ 44.08</u>	<u>\$ 2,718</u>

The total recognized stock-based compensation expense for restricted stock was \$0.8 million and \$1.4 million for the three months ended April 30, 2022 and 2021. The total recognized stock-based compensation expense for restricted stock was \$1.4 million and \$2.3 million for the six months ended April 30, 2022 and 2021. Total unrecognized stock-based compensation expense totaled \$1.5 million as of April 30, 2022 and will be amortized through fiscal year 2024.

Restricted Stock Units (RSUs) and Performance Restricted Stock Units (PRSUs)

On April 1, 2022, we issued RSUs for officers and other members of management as part of our long-term incentive plan. The RSUs are time-based and vest annually in equal amounts over a three-year period. The PRSUs are based on three-year cumulative performance targets of net sales, adjusted EBITDA and return on invested capital and vest entirely at the third anniversary. We granted 34,269 shares of RSUs and 27,547 shares of PRSUs at a grant stock price of \$37.49. Based on our current projections, we recognized approximately \$0.1 million of stock-based compensation for the three and six months ended April 30, 2022. As of April 30, 2022, there was \$2.3 million of unrecognized stock-based compensation costs related to non-vested RSUs and PRSUs, which the Company expects to recognize over a weighted-average period of 2.5 years. The total fair value of the restricted stock units at April 30, 2022, is approximately \$2.3 million.

Stock Options

Stock options are granted with exercise prices of not less than the fair market value at grant date, generally vest over one to five years and generally expire two to five years after the vest date. We settle stock option exercises with newly issued shares of common stock.

We measure compensation cost for all stock-based awards at fair value on the date of grant and recognize compensation expense in our consolidated statements of operations over the service period that the awards are expected to vest. We measure the fair value of our stock-based compensation awards on the date of grant.

A summary of stock option activity, related to our 2011 and 2020 Plans, is as follows (in thousands, except for weighted-average exercise price):

	Number of Shares	Weighted-Average Exercise Price	Aggregate Intrinsic Value
Outstanding at October 31, 2021	19	\$ 42.89	
Exercised	(2)	\$ 23.48	
Outstanding at April 30, 2022	<u>17</u>	<u>\$ 47.62</u>	<u>\$ 193</u>
Exercisable at April 30, 2022	<u>12</u>	<u>\$ 51.12</u>	<u>\$ 179</u>

At April 30, 2022, outstanding and exercisable stock options had a weighted-average remaining contractual term of 2.9 years. The total recognized and unrecognized stock-based compensation expense was insignificant for the three and six months ended April 30, 2022 and 2021.

7. Other events

Dividend payment

On December 3, 2021, we paid a \$1.15 per share dividend in the aggregate amount of \$20.3 million to shareholders of record on November 12, 2021.

Litigation

From time to time, we are involved in litigation arising in the ordinary course of our business that we do not believe will have a material adverse impact on our financial statements.

Mexico tax audits

We conduct business both domestically and internationally and, as a result, one or more of our subsidiaries files income tax returns in U.S. federal, U.S. state and certain foreign jurisdictions. Accordingly, in the normal course of business, we are subject to examination by taxing authorities, primarily in Mexico and the United States.

2011 Assessment

On June 16, 2021 Calavo reached a settlement agreement with the Ministry of Finance and Administration of the government of the State of Michoacan, Mexico (MFM) regarding a 2011 Assessment of approximately \$2.2 billion Mexican pesos related to income tax, flat rate business tax and value added tax. Calavo agreed to pay approximately \$47.8 million Mexican pesos (approximately \$2.4 million USD) as a full and final settlement of all taxes, fines, and penalties.

2013 Assessment

In January 2017, we received preliminary observations from the Servicio de Administracion Tributaria in Mexico (the "SAT") related to an audit for fiscal year 2013 outlining certain proposed adjustments primarily related to intercompany funding, deductions for services from certain vendors/suppliers and IVA. We provided a written rebuttal to these preliminary observations during our second fiscal quarter of 2017. During the period from our third fiscal quarter of 2017 through our third fiscal quarter of 2018, we attempted to resolve our case with the SAT through the conclusive agreement submitted before PRODECON (Mexican Tax Ombudsman), having several working meetings attended by representatives of the SAT, Calavo de Mexico (CDM) and the PRODECON. However, we were unable to materially resolve our case with the SAT through the PRODECON process.

As a result, in July 2018, the SAT's local office in Uruapan issued to CDM a final tax assessment (the "2013 Assessment") totaling approximately \$2.6 billion Mexican pesos (which includes annual adjustments for inflation, and equals approximately \$129.5 million USD at April 30, 2022) related to Income Tax, Flat Rate Business Tax, and value added tax, related to this fiscal 2013 tax audit. This amount has been adjusted for inflation as of April 30, 2022 to the amount of \$3.08 billion Mexican pesos (approx. \$153.5 million USD). Additionally, the tax authorities have determined that we owe our employee's profit-sharing liability, totaling approximately \$118 million Mexican pesos (approx. \$5.9 million USD at April 30, 2022). In August 2018, we filed an Administrative Appeal on the 2013 Assessment, appealing our case to the SAT's central legal department in Michoacan.

On June 25, 2021, we became aware that the Administrative Appeal had been resolved by the SAT against CDM on March 12, 2021, and that we had allegedly failed to timely respond to and challenge the SAT's notification of such resolution, therefore rendering the 2013 Assessment as definitive. Consequently, the SAT placed liens on the fixed assets of CDM, with a net book value of approximately \$26 million USD, and on bank accounts of CDM totaling approximately \$1 million USD in order to guaranty the 2013 Assessment. Based on legal counsel from our tax advisory firm, we and our tax advisory firm have concluded that the March notification was not legally communicated.

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On August 27, 2021, we filed a formal complaint, or *queja*, (the “Complaint”) before the PRODECON to request its assistance with having the SAT act upon the Reconsideration. The Complaint was withdrawn in September, but may still be reinstated if deemed appropriate in the future.

On August 18, 2021, we filed an Administrative Reconsideration (the Reconsideration) before the Central Legal Department of the SAT located in Mexico City, asserting that the resolution in March of the Administrative Appeal was wrongly concluded, in particular with respect to the following matters:

- Failure to recognize CDM as a “maquiladora”
- Considering the Company to have a permanent establishment in Mexico,
- Including fruit purchase deposits transferred by the Company to CDM as taxable,
- Application of 16% IVA tax to fruit purchase deposits; and
- Imposing double-taxation on the fruit purchase transactions

On August 20, 2021 we filed an Annulment Suit (the Annulment Suit) with the Federal Tax Court, which among other things, strongly contends that the notifications made by the SAT to CDM and its designated advisors of the resolution of the Administrative Appeal in March 2021 were not legally communicated. In addition, the Annulment Suit asserts the same matters central to the Reconsideration, as described above, as wrongly concluded in the resolution of the Administrative Appeal.

On September 22, 2021, we had an initial in-person meeting with the SAT in Mexico City to formally present and discuss the Reconsideration. The SAT agreed to review our Reconsideration in more detail; however, on January 3, 2022, the SAT formally rejected our request for the Reconsideration. In response to this rejection, on January 21, 2022, we filed an injunction suit (*the “Amparo”*) with a federal district court seeking to nullify the arguments against the Reconsideration made by the SAT on constitutional grounds.

On February 4, 2022, we had a follow-up meeting with the SAT in Mexico City to begin a dialog with the objective of reaching a settlement of the 2013 Assessment. The SAT agreed in principle to continue this dialog, but requested that we provide a financial guaranty to secure the related tax as a pre-requisite to these discussions.

On February 25, 2022, we filed an additional injunction in which we seek to have the liens against the bank accounts of CDM lifted. The injunction suit has been accepted by the court and we are expecting a response by September 2022. The main purpose of the injunction suit was to challenge the SAT’s response issued to the Reconsideration, and with that, to keep the Reconsideration alive until the injunction suit is decided. This would allow time to continue the discussions with SAT at the administrative level and would give SAT the legal basis to issue a new resolution in terms of what may be agreed in the ongoing discussions with SAT. This injunction suit represents a further opportunity as well for a Court of Law to analyze this matter from a constitutional perspective.

The injunction suit has been admitted for analysis by the District Court, however, SAT filed a complaint (*queja*) against the ruling allowing CDM to file an extension of the injunction suit aiming to appoint as a defendant other than SAT’s authority that were involved in the reconsideration appeal’s resolution. This complaint was filed by SAT to challenge the admission and analysis of the injunction suit; this complaint is expected to be decided by the Circuit Courts within the next couple of months.

On March 10, 2022, we met with the SAT and offered an Administrative Guaranty (*Embargo en Via Administrativa*) to secure the 2013 Assessment, which provides the SAT with certain administrative rights to CDM assets in the unlikely event we do not prevail in our actions through the Federal Tax Court (see below). Once the Administrative Guaranty is in place, the existing liens over the assets of CDM will be removed and the SAT collection process will be suspended.

On March 4, 2022, the Annulment Suit was formally accepted by the Federal Tax Court, which simultaneously granted a provisional suspension of the collections proceedings by the SAT. The acceptance by the court of the Annulment Suit renders the 2013 Assessment as non-definitive, until such time as the suit is resolved.

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On April 27, 2022, the SAT provided a Positive Compliance Opinion to CDM, and consequently on April 29, 2022, the Tax Authority renewed the VAT Certification to CDM. These two resolutions signal a positive development on the Tax controversies in Mexico.

On April 29, 2022, we submitted all the documentation required to the Tax Authority and the Federal Tax Court to continue with the consideration of the Administrative Guaranty. Once the Administrative Guaranty is ruled and accepted by the FTC and tax authority, they will permanently suspend and remove the liens on the fixed assets and bank accounts of CDM.

While we continue to believe that the 2013 Assessment is completely without merit, and that we will prevail on the Annulment Suit in the Tax Court, we also believe it is in the best interest of CDM and the Company to settle the 2013 Assessment as quickly as possible. Furthermore, we believe that the above actions taken by CDM will encourage the SAT to agree to reach a settlement. In accordance with our cumulative probability analysis on uncertain tax positions, our recent settlements, made by the SAT in other cases, the 2011 Assessment settlement reached by CDM with the MFM, and the value of CDM assets, we recorded a provision of \$11 million USD, in the third quarter of fiscal 2021, as a discrete item in Income Tax Provision. The provision includes estimated penalties, interest and inflationary adjustments. We believe that this provision remains appropriate as of April 30, 2022 based on our cumulative probability analysis. We incurred \$0.5 million and \$0.8 million of related professional fees for the three and six months ended April 30, 2022, which have been recorded in Expenses related to Mexican Tax matters.

8. Fair value measurements

A fair value measurement is determined based on the assumptions that a market participant would use in pricing an asset or liability. A three-tiered hierarchy draws distinctions between market participant assumptions based on (i) observable inputs such as quoted prices in active markets (Level 1), (ii) inputs other than quoted prices in active markets that are observable either directly or indirectly (Level 2) and (iii) unobservable inputs that require the Company to use present value and other valuation techniques in the determination of fair value (Level 3).

The following table sets forth our financial assets and liabilities as of April 30, 2022 that are measured on a recurring basis during the period, segregated by level within the fair value hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	(All amounts are presented in thousands)			
Assets at Fair Value at April 30, 2022:				
Investment in Limoneira Company ⁽¹⁾	\$20,027	-	-	\$20,027
Total assets at fair value	<u>\$20,027</u>	<u>-</u>	<u>-</u>	<u>\$20,027</u>
Assets at Fair Value at October 31, 2021:				
Investment in Limoneira Company ⁽¹⁾	\$27,055	-	-	\$27,055
Total assets at fair value	<u>\$27,055</u>	<u>-</u>	<u>-</u>	<u>\$27,055</u>

- (1) The investment in Limoneira Company consists of marketable securities in the Limoneira Company common stock. We currently own approximately 9% of Limoneira's outstanding common stock. These securities are measured at fair value using quoted market prices. For the three months ended April 30, 2022 and 2021, we recognized losses of \$4.9 million and gains of \$3.5 million, respectively, on the consolidated condensed statements of operations. For the six months ended April 30, 2022 and 2021, we recognized losses of \$7.0 million and gains of \$7.1 million, respectively, on the consolidated condensed statement of operations.

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9. Noncontrolling interest

The following table reconciles shareholders' equity attributable to noncontrolling interest related to Avocados de Jalisco (in thousands).

Avocados de Jalisco noncontrolling interest	Three months ended April 30,	
	2022	2021
Noncontrolling interest, beginning	\$ 1,251	\$ 1,432
Net loss attributable to noncontrolling interest of Avocados de Jalisco	(85)	(47)
Noncontrolling interest, ending	<u>\$ 1,166</u>	<u>\$ 1,385</u>
	Six months ended April 30,	
	2022	2021
Noncontrolling interest, beginning	\$ 1,368	\$ 1,472
Net loss attributable to noncontrolling interest of Avocados de Jalisco	(202)	(87)
Noncontrolling interest, ending	<u>\$ 1,166</u>	<u>\$ 1,385</u>

10. Earnings per share

Basic and diluted net income per share is calculated as follows (data in thousands, except per share data):

	Three months ended April 30,	
	2022	2021
Numerator:		
Net income (loss) attributable to Calavo Growers, Inc.	\$ (191)	\$ 8,841
Denominator:		
Weighted average shares – Basic	17,664	17,619
Effect of dilutive securities – Restricted stock/units/options (1)	—	60
Weighted average shares – Diluted	<u>17,664</u>	<u>17,679</u>
Net income (loss) per share attributable to Calavo Growers, Inc:		
Basic	\$ (0.01)	\$ 0.50
Diluted	\$ (0.01)	\$ 0.50
	Six months ended April 30,	
	2022	2021
Numerator:		
Net Income (loss) attributable to Calavo Growers, Inc.	\$ (4,234)	\$ 14,118
Denominator:		
Weighted average shares - Basic	17,659	17,609
Effect on dilutive securities – Restricted stock/units/options (1)	—	59
Weighted average shares - Diluted	<u>17,659</u>	<u>17,668</u>
Net income (loss) per share attributable to Calavo Growers, Inc:		
Basic	\$ (0.24)	\$ 0.80
Diluted	\$ (0.24)	\$ 0.80

- (1) For the three and six months ended April 30, 2022 approximately 92,000 shares and 59,000 shares of common stock equivalents were excluded in the computation of diluted net loss per share, as the effect would be anti-dilutive since the Company reported a net loss.

11. Mexican IVA taxes receivable

Included in other assets are tax receivables due from the Mexican government for value-added taxes (“IVA”) paid in advance. CDM is charged IVA by vendors on certain expenditures in Mexico, which, insofar as they relate to the exportation of goods, translate into IVA amounts recoverable from the Mexican government.

As of April 30, 2022, and October 31, 2021, CDM IVA receivables totaled \$39.8 million (819.2 million Mexican pesos) and \$37.5 million (762.1 million Mexican pesos). Historically, CDM received IVA refund payments from the Mexican tax authorities on a timely basis. Beginning in fiscal 2014 and continuing into fiscal 2022, the tax authorities began carrying out more detailed reviews of our refund requests and our supporting documentation. Additionally, they are also questioning the refunds requested attributable to IVA paid to certain suppliers that allegedly did not fulfill their own tax obligations. We believe these factors and others have contributed to delays in the processing of IVA claims by the Mexican tax authorities. Currently, we are in the process of collecting such balances primarily through regular administrative processes, but these amounts may ultimately need to be recovered through Administrative Appeals and/or legal means.

During the first quarter of fiscal 2017, the tax authorities informed us that their internal opinion, based on the information provided by the local SAT office, considers that CDM is not properly documented relative to its declared tax structure and therefore CDM cannot claim the refundable IVA balance. CDM has strong arguments and supporting documentation to sustain its declared tax structure for IVA and income tax purposes. CDM started an Administrative Appeal for the IVA related to the request of the months of July, August and September of 2015 (the “2015 Appeal”) in order to assert its argument that CDM is properly documented and to therefore change the SAT’s internal assessment. In August 2018, we received a favorable ruling from the SAT’s Legal Administration in Michoacan on the 2015 Appeal indicating that they believe CDM’s legal interpretation of its declared tax structure is indeed accurate. While favorable on this central matter of CDM’s declared tax structure, the ruling, however, still does not recognize the taxpayers right to a full refund for the IVA related to the months of July, August and September 2015. Therefore, in October 2018, CDM filed a substance-over-form Annulment Suit in the Federal Tax Court to recover its full refund for IVA over the subject period, which is currently pending resolution.

In April 2022, the Tax Court issued the ruling for the months of July, August and September 2015 through which it was declared that the following resolutions were resolved:

- It is recognized that CDM operates as a maquila under the authorization of the Ministry of Finance.
- It is recognized that all bank deposits corresponding to the purchase of avocados on behalf of Calavo Growers Inc. (CGI), are subject to the maquila program and it is not accruable income for purposes of Income Tax nor activities subject to VAT.
- It is recognized that VAT is recoverable, since CDM demonstrated the existence of operations carried under the maquila services.
- Resolved that certain VAT amounts attributed to the purchase of certain packing materials are not recoverable as CDM was not the buyer on record and therefore did not pay for the materials, which approximated \$6.9 million pesos (approximately \$0.3 million USD).

On May 9, 2022, the Company filed an appeal against the ruling which resolved that certain VAT amounts are not recoverable.

While the latest court resolution sustains the Company’s position that it is entitled to substantially all of its VAT amounts, the Company is also considering its options for resolution of the VAT receivable. In the unlikely event of an unfavorable resolution of the Administrative Appeals, we plan to file Annulment Suits with the Mexican Federal Tax Court. If these suits result in an unfavorable ruling, there is an option to

appeal to the Collegiate Circuit Court. The estimated time for the resolution of these suits could be 2 – 3 years.

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We believe that our operations in Mexico are properly documented, and our internationally recognized tax advisors believe that there are legal grounds to prevail in collecting the corresponding IVA amounts. With assistance from our internationally recognized tax advisory firm, as of April 30, 2022, CDM has filed Administrative Appeals for months for which IVA refunds have been denied by the SAT, and will continue filing such appeals for any months for which refunds are denied in the future. Therefore, it is probable that the Mexican tax authorities will ultimately authorize the refund of the corresponding IVA amounts.

12. Credit Facility

On December 1, 2021, we entered into the Fourth and Fifth Amendments to the Credit Agreement with Bank of America, N.A., as administrative agent (“Bank of America”), and Farm Credit West, PCA (together with Bank of America, the “Lenders”), relating to our Credit Agreement dated as of June 14, 2016, The Fourth and Fifth Amendments, among other terms, included CDM as a guarantor, increased the interest rate by 0.5% and amended the financial covenant requirements as follows:

- The Fixed Charge Coverage Ratio (FCCR) covenant was waived for the quarters ended October 31, 2021, January 31, 2022 and April 30, 2022. The covenant will resume for the quarter ended July 31, 2022.
- The quarterly FCCR covenant was replaced by a cumulative monthly minimum Consolidated EBITDA covenant, with the first measurement occurring as of January 31, 2022 for the three months then ended, and continuing monthly thereafter through June 2022.
- Consolidated financial statements must be submitted monthly for the month and year-to-date period, beginning with the financial statements for the month of November 2021 and continuing through June 2022.

The Company also pledged the 1,677,000 shares it holds of Limoneira stock as collateral (which was in addition to the general business assets of the Company that already secure the credit facility).

The above terms and conditions will remain in effect until such time as the Company has certified compliance with a 1.15 to 1.0 minimum FCCR for two consecutive fiscal quarters.

As of January 31, 2022, the Company was not in compliance with the cumulative monthly minimum Consolidated EBITDA covenant, and the Consolidated Leverage Ratio (CLR) covenant. In March 2022, the Company and the Lenders entered into the Sixth Amendment, Limited Waiver, and Limited Consent to Credit Agreement (the “Sixth Amendment”). The Sixth Amendment, among other terms, waived the non-compliance of the financial covenants as of January 31, 2022 and amended the financial covenant requirements as follows:

- The cumulative monthly minimum Consolidated EBITDA testing has been waived and the CLR covenant testing is waived through July 31, 2022.
- Minimum Consolidated EBITDA of \$3 million, \$3 million and \$5 million for the months of February, March and April 2022 will be required.
- Monthly cumulative FCCR of 1.20 starting with the quarter ended April 30, 2022, converting to trailing 12 months calculation starting as of October 31, 2022 and quarterly thereafter. For April through September 2022, dividends paid in December 2021 are included on a pro-rata basis.

The interest rate of the facility increased to BSBY plus 3.0%, until the first business day of the month after we certify that no default or event of default exists for the period ended July 31, 2022, at which point the interest rate will range between BSBY plus 1.25 – 1.75% based on our CLR. The total facility reduced from \$100 million to \$80 million and will be limited to a borrowing base consisting of the sum of eligible accounts receivable (80%), eligible US inventory (50%), and Limoneira shares (60%), less grower payables.

As of April 30, 2022, we were in compliance with the financial covenants, and we expect to remain in compliance through June 2023. As of April 30, 2022, approximately \$5.6 million was available for borrowing, based on our borrowing base calculation, as discussed above.

13. COVID-19 Pandemic Impact

The COVID-19 pandemic has created challenging and unprecedented conditions for our business, and we are committed to taking action in support of a Company-wide response to the crisis. The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains, changed certain purchasing norms in retail and foodservice channels and created significant volatility and disruption of financial markets. This has resulted in inflationary and cost pressures that have significantly increased, and continue to adversely impact, our production and distribution costs, including costs of raw materials, packaging, labor, and freight. We are also experiencing pressure in our supply chain due to strained transportation capacity and lack of sufficient labor availability. We believe, however, that we are well-positioned for the future as we continue to navigate the crisis and have successfully implemented contingency plans in the U.S. and in Mexico to monitor the evolving needs of our businesses, as well as those related to our Peru partner in consignment avocado sales.

The effects of the pandemic have been more pronounced in the portions of our business servicing foodservice customers and to a lesser extent certain segments of our retail business, including behind-the-glass deli and grab-and-go convenience items.

While many of such restrictions have since been lifted, the pace of the recovery from the COVID-19 pandemic is not presently known. Additionally, we cannot forecast future variants or the impact on our business of such variants, if any. We cannot reasonably estimate the duration or extent of the pandemic's adverse impact on our business, operating results, and long-term liquidity position.

14. Closure of RFG Florida facility

On November 15, 2021, the Green Cove facility of RFG has ceased operations. The Company's Fresh avocado operations at this facility will continue in operation and are not affected. RFG will continue to serve customers of this location from its other food processing locations, primarily in Georgia.

The closure resulted in a reduction of 140 employees, impairment of leasehold improvements, writedowns of inventory and other assets, and certain cash expenditures for the relocation of machinery and equipment and the closure of the leased facilities. During the fourth quarter of fiscal 2021, we wrote down \$8.7 million of leasehold improvements, \$0.1 million of equipment, and \$0.6 million of inventory (recognized through cost of goods sold). We also paid \$0.4 million in employee severance. The impairment related to the RFG Florida closure has been recorded on the face of the income statement under "Impairment and charges related to RFG Florida facility closure".

As of April 30, 2022 and October 31, 2021, the Company had right of use assets with a net book value of \$4.2 million and \$4.8 million respectively, and lease liabilities of \$5.4 million and \$6.0 million, respectively, recorded on the balance sheet related to the closed facility. The facility lease has a maturity date of October 31, 2031. The Company intends to seek a sub-lease tenant to assume the vacated space, and believes such a sub-lease can be obtained at a lease rate, and for a lease period, sufficient to realize the right of use asset. Management will continue to evaluate the actual amounts and duration of expected future sub-lease revenues. Should the actual sub-lease revenues be less than those currently expected, the Company may need to record impairment of some or all of its investment in the right of use asset.

During the three and six months ended April 30, 2022, we incurred \$0.3 million and \$1.0 million of incremental restructuring and related costs due to the transition to other facilities.



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

This information should be read in conjunction with the unaudited consolidated condensed financial statements and the notes thereto included in this Quarterly Report, and the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the Annual Report on Form 10-K for the fiscal year ended October 31, 2021 of Calavo Growers, Inc. (“we”, “Calavo”, or the “Company”).

Recent Developments

Change in Reporting Segments

On April 13, 2022, the Company issued a press release announcing its plans to reorganize the business into two reporting segments, Grown and Prepared. The Grown segment will consist of fresh avocados, tomatoes and papaya. The Prepared segment will comprise all other products including fresh cut fruits and vegetables, ready-to-eat sandwiches, wraps, salads and snacks, guacamole, and salsa sold at retail and food service as well as avocado pulp sold to foodservice. The management transition to operate into Grown and Prepared segments is expected to occur in the third quarter of 2022. Therefore, for the three and six month periods ended April 30, 2022, we continue to report our operations in three different business segments: (1) Fresh products, (2) RFG, and (3) Calavo Foods.

COVID-19 Pandemic Impact

The COVID-19 pandemic has created challenging and unprecedented conditions for our business, and we are committed to taking action in support of a Company-wide response to the crisis. The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains, changed certain purchasing norms in retail and foodservice channels and created significant volatility and disruption of financial markets. This has resulted in inflationary and cost pressures that have significantly increased, and continue to adversely impact, our production and distribution costs, including costs of raw materials, packaging, labor, and freight. We are also experiencing pressure in our supply chain due to strained transportation capacity and lack of sufficient labor availability. We believe that we are well-positioned for the future as we continue to navigate the crisis and have successfully implemented contingency plans in the U.S. and in Mexico to monitor the evolving needs of our businesses in those countries, as well as those related to our Peru partner in consignment avocado sales.

The effects of the pandemic have been more pronounced in the portions of our business servicing foodservice customers and to a lesser extent certain segments of our retail business, including behind-the-glass deli and grab-and-go convenience items.

While many of such restrictions have since been lifted, the pace of the recovery from the COVID-19 pandemic is not presently known. Additionally, we cannot forecast future variants or the impact on our business of such variants, if any. We cannot reasonably estimate the duration or extent of the pandemic's adverse impact on our business, operating results, and long-term liquidity position.

COVID-19 Recovery Economic Impact

The recovery from the COVID-19 pandemic and the current economic climate is increasing labor costs, commodity costs and logistical costs. We are experiencing operational challenges that impact our production facilities and our logistics network; the impact of prices for petroleum-based products, packaging materials and commodity costs; and the availability of sufficient labor is increasing costs companywide.

In response to the inflationary costs described above, we notified our customers of our plans to institute price increases for our RFG and Foods products. Management believes the price increases will largely be accepted by our customers without significant loss of sales, will reverse the margin compression experienced by RFG and Foods segments during the pandemic, and will enable us to continue to invest in initiatives that drive growth.

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Dividend payment

On December 3, 2021, we paid a \$1.15 per share dividend in the aggregate amount of \$20.3 million to shareholders of record on November 12, 2021.

Litigation

From time to time, we are involved in litigation arising in the ordinary course of our business that we do not believe will have a material adverse impact on our financial statements.

Project Uno

During the third quarter of 2021, the Company launched Project Uno, a strategic set of initiatives that seeks to identify areas of operating efficiencies and cost savings to expand profit margins, cash flow and return on invested capital. We have undertaken multiple productivity and transformation initiatives, including (1) closure of the RFG Florida plant and transfer of its viable operations into RFG Georgia, (2) implementing broader supply chain operational improvements, (3) integrating our commercial, logistics, IT, procurement and accounting functions across the three divisions, (4) product rationalization initiatives which are aimed at eliminating unprofitable or slow moving SKUs and (5) outsourcing certain functions in our North American business to third-party service providers and the associated implementation of new procurement technology solutions. The Company will continue to carry out the existing productivity initiatives as well as additional initiatives under this strategy in fiscal 2022.

On April 7, 2022, Calavo's board of directors approved plans to reorganize its business to execute Project Uno integration efforts. As a result of the reorganization, the positions of Chief Operations Officer and Chief Accounting Officer were eliminated effective as of April 13, 2022.

As part of this reorganization we accrued \$1.3 million of severance to be paid out over the next year. This amount includes \$0.1 million in stock based compensation related to accelerated vesting of restricted stock held by our Chief Operations Officer.

Mexico tax audits

In January 2017, we received preliminary observations from the Servicio de Administracion Tributaria in Mexico (the "SAT") related to an audit for fiscal year 2013 outlining certain proposed adjustments primarily related to intercompany funding, deductions for services from certain vendors/suppliers and IVA. We provided a written rebuttal to these preliminary observations during our second fiscal quarter of 2017.

On February 4, 2022, we had a follow-up meeting with the SAT in Mexico City to begin a dialog with the objective of reaching a settlement of the 2013 Assessment. The SAT agreed in principle to continue this dialog, but requested that we provide a financial guaranty to secure the related tax as a pre-requisite to these discussions.

On February 25, 2022, we filed an additional injunction in which we seek to have the liens against the bank accounts of CDM lifted. The injunction suit has been accepted by the court and we are expecting a response by September 2022. The main purpose of the injunction suit was to challenge the SAT's response issued to the Reconsideration, and with that, to keep the Reconsideration alive until the injunction suit is decided. This would allow time to continue the discussions with SAT at the administrative level and would give SAT the legal basis to issue a new resolution in terms of what may be agreed in the ongoing discussions with SAT. This injunction suit represents a further opportunity as well for a Court of Law to analyze this matter from a constitutional perspective.

The injunction suit has been admitted for analysis by the District Court, however, SAT filed a complaint (queja) against the ruling allowing CDM to file an extension of the injunction suit aiming to appoint as a

defendant other than SAT's authority that were involved in the reconsideration appeal's resolution. This complaint was filed by SAT to

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challenge the admission and analysis of the injunction suit; this complaint is expected to be decided by the Circuit Courts within the next couple of months.

On March 10, 2022, we met with the SAT and offered an Administrative Guaranty (*Embargo en Via Administrativa*) to secure the 2013 Assessment, which provides the SAT with certain administrative rights to CDM assets in the unlikely event we do not prevail in our actions through the Federal Tax Court (see below). Once the Administrative Guaranty is in place, the existing liens over the assets of CDM will be removed and the SAT collection process will be suspended.

On March 4, 2022, the Annulment Suit was formally accepted by the Federal Tax Court, which simultaneously granted a provisional suspension of the collections proceedings by the SAT. The acceptance by the court of the Annulment Suit renders the 2013 Assessment as non-definitive, until such time as the suit is resolved.

On April 27, 2022, the SAT provided a Positive Compliance Opinion to CDM, and consequently on April 29, 2022, the Tax Authority renewed the VAT Certification to CDM. These two resolutions signal a positive development on the Tax controversies in Mexico.

On April 29, 2022, we submitted all the documentation required to the Tax Authority and the Federal Tax Court to continue with the consideration of the Administrative Guaranty. Once the Administrative Guaranty is ruled and accepted by the FTC and tax authority, they will permanently suspend and remove the liens on the fixed assets and bank accounts of CDM.

While we continue to believe that the 2013 Assessment is completely without merit, and that we will prevail on the Annulment Suit in the Tax Court, we also believe it is in the best interest of CDM and the Company to settle the 2013 Assessment as quickly as possible. Furthermore, we believe that the above actions taken by CDM will encourage the SAT to agree to reach a settlement. In accordance with our cumulative probability analysis, based on factors such as recent settlements made by the SAT in other cases, the 2011 Assessment settlement reached by CDM with the MFM, and the value of CDM assets, we recorded a provision of \$11 million USD, in the third quarter of fiscal 2021, as a discrete item in Income Tax Provision. The provision includes estimated penalties, interest and inflationary adjustments. We believe that this provision remains appropriate as of April 30, 2022 based on our cumulative probability analysis. We incurred \$0.5 million and \$0.8 million of related professional fees for the three and six months ended April 30, 2022, which have been recorded in Expenses related to Mexican Tax matters. See Note 7 of the Consolidated Condensed Financial Statements for more information.

Closure of RFG Florida facility

On November 15, 2021, the Green Cove facility of RFG has ceased operations. The Company's Fresh avocado operations at this facility will continue in operation and are not affected. RFG will continue to serve customers of this location from its other food processing locations, primarily in Georgia.

The closure resulted in a reduction of 140 employees, impairment of leasehold improvements, writedowns of inventory and other assets, and certain cash expenditures for the relocation of machinery and equipment and the closure of the leased facilities. During the fourth quarter of fiscal 2021, we wrote down \$8.7 million of leasehold improvements, \$0.1 million of equipment, and \$0.6 million of inventory (recognized through cost of goods sold). We also paid \$0.4 million in employee severance. The impairment related to the RFG Florida closure has been recorded on the face of the income statement under "Impairment and charges related to RFG Florida facility closure".

As of April 30, 2022 and October 31, 2021, the Company had right of use assets with a net book value of \$4.2 million and \$4.8 million respectively, and lease liabilities of \$5.4 million and \$6.0 million, respectively, recorded on the balance sheet related to the closed facility. The facility lease has a maturity date of October 31, 2031. The Company intends to seek a sub-lease tenant to assume the vacated space, and believes such a sub-lease can be obtained at a lease rate, and for a lease period, sufficient to realize the right

of use asset. Management will continue to evaluate the actual amounts and duration of expected future sub-lease revenues. Should the actual sub-lease revenues be less than those currently expected, the Company may need to record impairment of some or all of its investment in the right of use asset.

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During the three and six months ended April 30, 2022, we incurred \$0.3 million and \$1.0 million of incremental restructuring and related costs due to the transition to other facilities.

Critical Accounting Estimates

In preparing our financial statements in accordance with GAAP, we are required to make estimates and assumptions that affect the amounts of assets, liabilities, revenue, and costs and expenses that are reported in the financial statements and accompanying disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results may differ from these estimates and assumptions. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected.

There have been no material changes in our critical accounting estimates during the three and six months ended April 30, 2022, as compared to those disclosed in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates” in our Annual Report on Form 10-K for our fiscal year ended October 31, 2021.

Non-GAAP Financial Measures

The below tables include non-GAAP measures EBITDA, adjusted EBITDA, adjusted net income and adjusted diluted EPS, which are not prepared in accordance with U.S. generally accepted accounting principles, or “GAAP.”

EBITDA is defined as net income (loss) attributable to Calavo Growers, Inc. excluding (1) interest income and expense, (2) income taxes (benefit) provision, (3) depreciation and amortization and (4) stock-based compensation expense. Adjusted EBITDA is EBITDA with further adjustments for (1) non-cash net losses recognized from unconsolidated entities, (2) goodwill impairment, (3) write-off of long-lived assets, (4) acquisition-related costs, (5) restructuring-related costs, including certain severance costs, (6) certain litigation and other related costs, and (7) one-time items. Adjusted EBITDA is a primary metric by which management evaluates the operating performance of the business, on which certain operating expenditures and internal budgets are based and by which, in addition to other factors, the Company’s senior management is compensated. The adjustments to calculate EBITDA and adjusted EBITDA are items recognized and recorded under GAAP in particular periods but might be viewed as not necessarily coinciding with the underlying business operations for the periods in which they are so recognized and recorded.

Adjusted net income is defined as net income (loss) attributable to Calavo Growers, Inc. excluding (1) non-cash net losses recognized from unconsolidated entities, (2) goodwill impairment, (3) write-off of long-lived assets, (4) acquisition-related costs, (5) restructuring-related costs, including certain severance costs, (6) certain litigation and other related costs, and (7) one-time items. Adjusted net income and the related measure of adjusted diluted EPS exclude certain items that are recognized and recorded under GAAP in particular periods but might be viewed as not necessarily coinciding with the underlying business operations for the periods in which they are so recognized and recorded. We believe adjusted net income affords investors a different view of the overall financial performance of the Company than adjusted EBITDA and the GAAP measure of net income (loss) attributable to Calavo Growers, Inc.

Reconciliations of non-GAAP financial measures to the most directly comparable GAAP financial measures are provided in the financial tables below.

Items are considered one-time in nature if they are non-recurring, infrequent or unusual and have not occurred in the past two years or are not expected to recur in the next two years, in accordance with SEC rules. One-time items are identified in the notes to the reconciliations in the financial tables below.

Non-GAAP information should be considered as supplemental in nature and not as a substitute for, or superior to, any measure of performance prepared in accordance with GAAP. None of these metrics are presented as measures of liquidity. The way the Company measures EBITDA, adjusted EBITDA, adjusted net income and adjusted diluted EPS

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may not be comparable to similarly titled measures presented by other companies and may not be identical to corresponding measures used in Company agreements.

Adjusted Net Income (Non-GAAP, Unaudited)

The following table presents adjusted net income and adjusted diluted EPS, each a non-GAAP measure, and reconciles them to net income (loss) attributable to Calavo Growers, Inc., and Diluted EPS, which are the most directly comparable GAAP measures. See “Non-GAAP Financial Measures” above (in thousands, except per share amounts).

	Three months ended April 30,		Six month ended April 30,	
	2022	2021	2022	2021
Net income (loss) attributable to Calavo Growers, Inc.	\$ (191)	\$ 8,841	\$ (4,234)	\$ 14,118
Non-GAAP adjustments:				
Non-cash losses recognized from unconsolidated entities (a)	8	1,131	543	1,286
Loss from FreshRealm and other related expenses (b)	—	50	—	11
Acquisition costs (c)	—	—	—	262
Net (gain) loss on Limoneira shares (d)	4,898	(3,506)	7,028	(7,095)
RFG rent expense add back (e)	108	108	216	216
Restructure costs - consulting, management recruiting and severance (f)	2,157	685	3,275	685
Mexican tax matters (g)	478	—	845	—
Impairment and charges related to closure of RFG Florida facility (h)	305	—	959	—
Tax impact of adjustments (i)	(1,979)	367	(3,217)	1,166
Adjusted net income attributed to Calavo Growers, Inc.	<u>\$ 5,784</u>	<u>\$ 7,676</u>	<u>\$ 5,415</u>	<u>\$ 10,649</u>
Calavo Growers, Inc.’s net income (loss) per share:				
Diluted EPS (GAAP)	<u>\$ (0.01)</u>	<u>\$ 0.50</u>	<u>\$ (0.24)</u>	<u>\$ 0.80</u>
Adjusted Diluted EPS	<u>\$ 0.33</u>	<u>\$ 0.43</u>	<u>\$ 0.31</u>	<u>\$ 0.60</u>
Number of shares used in per share computation:				
Diluted	<u>17,756</u>	<u>17,679</u>	<u>17,718</u>	<u>17,668</u>

- (a) For the three months ended April 30, 2022 and 2021, we realized losses from Agricola Don Memo totaling less than \$0.1 million and \$1.1 million. For the six months ended April 30, 2022 and 2021, we realized losses from Agricola Don Memo totaling less than \$0.5 million and \$1.3 million.
- (b) We had professional fees related to the FreshRealm Separation Agreement for the three and six months ended April 30, 2021. Partially offsetting this expense, as part of the FreshRealm Separation Agreement, we received \$0.1 million of previously reserved receivables for the six months ended April 30, 2021.
- (c) For the six months ended April 30, 2021, we incurred professional service costs related to a considered but non-consummated acquisition.
- (d) For the three months ended April 30, 2022 and 2021, we recorded \$4.9 million in unrealized losses and \$3.5 million in unrealized gains related to these mark-to-market adjustments, respectively. For the six months ended April 30, 2022 and 2021, we recorded \$7.0 million in unrealized losses and \$7.1 million in unrealized gains related to these mark-to-market adjustments, respectively.

- (e) For the three months ended April 30, 2022 and 2021, we incurred \$0.1 million related to rent paid for RFG corporate office space that we have vacated and plan to sublease. For the six months ended April 30, 2022 and 2021, we incurred \$0.2 million related to rent paid for RFG corporate office space that we have vacated and plan to sublease.
- (f) For the three and six months ended April 30, 2022, we recorded \$0.7 million and \$1.8 million of consulting expenses related to an enterprise-wide strategic business operations study conducted by a third-party management consulting organization for the purpose of restructuring to improve the profitability of the organization and efficiency of our operations. In addition, for the

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three and six months ended April 30, 2022, we recorded \$1.4 million of severance accrual related to the Project Uno restructuring. For the three months and six months ended April 30, 2021, we recorded higher stock-based compensation for the early vesting of restricted stock for the retirement of our former Chief Executive Officer and Board member.

- (g) For the three and six months ended April 30, 2022, we incurred \$0.5 million and \$0.8 million of related professional fees related to the Mexican tax matters. See Note 7 to the consolidated condensed financial statements included in this Quarterly Report for further information.
- (h) On October 18, 2021, we announced the closure of RFG's food processing operations at our Green Cove Springs (near Jacksonville), Florida facility, as part of our Project Uno profit improvement program. As of November 15, the Green Cove facility of RFG has ceased operations. We incurred \$0.3 million and \$1.0 million of expenses for the three and six months ended April 30, 2022, related to the closure of this facility.
- (i) Tax impact of non-GAAP adjustments are based on effective year-to-date tax rates.

Reconciliation of EBITDA and Adjusted EBITDA (Non-GAAP, Unaudited)

The following table presents EBITDA and adjusted EBITDA, each a non-GAAP measure, and reconciles them to net income (loss) attributable to Calavo Growers, Inc., which is the most directly comparable GAAP measure. See "Non-GAAP Financial Measures" above (in thousands, except per share amounts).

	Three months ended		Six months ended	
	April 30,		April 30,	
	2022	2021	2022	2021
Net income (loss) attributable to Calavo Growers, Inc.	\$ (191)	\$ 8,841	\$(4,234)	\$14,118
Interest Income	(133)	(17)	(266)	(89)
Interest Expense	460	191	787	365
Provision (Benefit) for Income Taxes	(187)	2,772	(1,347)	4,715
Depreciation & Amortization	4,093	4,077	8,405	8,371
Stock-Based Compensation (d)	812	1,357	1,368	2,264
EBITDA	\$ 4,854	\$17,221	\$ 4,713	\$29,744
Adjustments:				
Non-cash losses recognized from unconsolidated entities (a)	8	1,131	543	1,286
Net (gain) loss on Limoneira shares (d)	4,898	(3,506)	7,028	(7,095)
Loss (Recovery) from FreshRealm and other related expenses (b)	—	50	—	11
RFG rent expense add back (e)	108	108	216	216
Acquisition costs (c)	—	—	—	262
Restructure costs - consulting and management recruiting and severance (f)	2,019	—	3,137	—
Expenses related to Mexican tax matters (g)	478	—	845	—
Impairment and charges related to closure of RFG Florida facility (h)	311	—	929	—
Adjusted EBITDA	\$12,676	\$15,004	\$17,411	\$24,424
Adjusted EBITDA per dilutive share	\$ 0.71	\$ 0.85	\$ 0.98	\$ 1.38

See prior page for footnote references

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Net Sales

The following table summarizes our net sales by business segment for each of the three and six months ended April 30, 2022 and 2021:

	Three months ended April 30,			Six months ended April 30,		
	2022	Change	2021	2022	Change	2021
Gross sales:						
Fresh products	\$210,997	30 %	\$161,686	\$373,582	35 %	\$277,145
RFG	102,159	6 %	96,289	197,923	6 %	186,595
Calavo Foods	19,815	(4)%	20,736	36,943	(1)%	37,194
Less intercompany eliminations	<u>(1,553)</u>	(18)%	<u>(1,890)</u>	<u>(2,938)</u>	(17)%	<u>(3,535)</u>
Total net sales	<u>\$331,418</u>	20 %	<u>\$276,821</u>	<u>\$605,510</u>	22 %	<u>\$497,399</u>
As a percentage of sales:						
Fresh products	63.4 %		58.0 %	61.4 %		55.3 %
RFG	30.7 %		34.5 %	32.5 %		37.2 %
Calavo Foods	6.0 %		7.4 %	6.1 %		7.4 %
	<u>100.0 %</u>		<u>100.0 %</u>	<u>100.0 %</u>		<u>100.0 %</u>

Results of Operations

Summary

Net sales for the three months ended April 30, 2022, compared to the corresponding period in fiscal 2021, increased by \$54.6 million, or approximately 20%. The increase was primarily due to our Fresh products segment. Net sales for the six months ended April 30, 2022, compared to the corresponding period in fiscal 2021, increased by \$108.1 million, or approximately 22%. The increase was primarily due to our Fresh products segment.

For the three and six months ended April 30, 2022, the increase in Fresh product sales was primarily due to an increase in price per unit of avocados slightly offset by lower sales volume resulting from industry-wide constraints of fruit available for purchase in Mexico. For the three and six months ended April 30, 2022, the increase in RFG sales was due primarily to increased per unit sales prices of fresh-cut fruit & vegetables and prepared foods products. For the three and six months ended April 30, 2022, the decrease in Calavo Foods was due primarily to lower sales volume of guacamole and other prepared avocado products. See discussion below for further details.

All three segments of our business are subject to seasonal trends which can impact the volume and/or quality of raw materials sourced in any particular quarter. All intercompany sales are eliminated in our consolidated results of operations.

Fresh products

Second Quarter 2022 vs. Second Quarter 2021

Net sales for the Fresh products business increased by approximately \$49.3 million, or 31%, for the second quarter of fiscal 2022 compared to the corresponding period in fiscal 2021. This increase in Fresh product sales during the second quarter of fiscal 2022 was primarily related to increased sales prices of

avocados due to increased demand and lower overall supply of avocados in the marketplace. In addition, tomato sales increased due to an increase in overall sales volume, partially offset by a decrease in sales prices.

Sales of avocados increased \$45.4 million, or 31%, for the second quarter of 2022 compared to the prior year period. The average avocado sales price per carton increased 51% compared to the prior year period. This increase in the sales

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price per carton was mainly due to an industry-wide decrease of supply of avocados in the marketplace. The volume of avocados sold in the second quarter of 2022 decreased 13% compared to the prior year period which is consistent with the decrease of avocados imported from Mexico into the United States for the same period.

Sales of tomatoes increased \$3.9 million, or 29%, for the second quarter of 2022, when compared to the prior year period. This increase in tomato sales was primarily due to a 26% increase in the cartons sold of tomatoes.

Six Months Ended April 30, 2022 vs. Six Months Ended April 30, 2021

Net sales for the Fresh products business increased by approximately \$96.4 million, or 35%, for the six months ended April 30, 2022, compared to the corresponding period in fiscal 2021. This increase in Fresh product sales during the six months ended April 30, 2022, was primarily related to increased sales prices of avocados due to increased demand and lower overall supply of avocados in the marketplace. In addition, tomato sales increased due to an increase in overall sales volume, partially offset by a decrease in sales prices.

Sales of avocados increased \$91.8 million, or 37%, for the six months ended April 30, 2022, compared to the prior year period. The average avocado sales price per carton increased 56% compared to the prior year period. This increase in the sales price per carton was mainly due to a decrease of supply of avocados in the marketplace. The volume of avocados sold in the second quarter of 2022 decreased 12% compared to the prior year period.

Sales of tomatoes increased \$4.7 million, or 21%, for the six months ended April 30, 2022, when compared to the prior year period. This increase in tomato sales was primarily due to a 25% increase in the cartons sold of tomatoes, partially offset by a 3% decrease in average sales prices per carton.

RFG

Second Quarter 2022 vs. Second Quarter 2021

Net sales for RFG for the quarter ended April 30, 2022, compared to the corresponding period in fiscal 2021, increased \$5.9 million, or 6%. This increase was primarily reflecting price increases of 11% and favorable product mix, partially offset by a 5% decrease in lower sales volumes.

Six Months Ended April 30, 2022 vs. Six Months Ended April 30, 2021

Net sales for RFG for the six months ended April 30, 2022, compared to the corresponding period in fiscal 2021, increased \$11.3 million, or 6%. This increase was primarily reflecting prices increases of 10% and favorable product mix, partially offset by a 3% decrease in lower sales volumes.

Calavo Foods

Second Quarter 2022 vs. Second Quarter 2021

Net sales for Calavo Foods for the quarter ended April 30, 2022, compared to the corresponding period in fiscal 2021, decreased \$0.9 million, or 4%. Sales of prepared avocado products decreased by approximately \$0.6 million, or 3%, primarily related to a decrease in the total volume of pounds sold. Sales of salsa decreased by approximately \$0.3 million, or 42%, primarily related to a decrease in the total volume of pounds sold.

Six Months Ended April 30, 2022 vs. Six Months Ended April 30, 2021

Net sales for Calavo Foods for the six months ended April 30, 2022, compared to the corresponding period in fiscal 2021, decreased \$0.3 million, or 1%. Sales of salsa decreased by approximately \$0.6 million, or 41%, primarily related to a decrease in the total volume of pounds sold. Partially offsetting this decrease, sales of prepared avocado products increased by approximately \$0.3 million, or 1%, primarily related to an increase of 3% of net sales per pound, partially offset by a decrease of 2% of pounds sold.

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Gross Profit

The following table summarizes our gross profit and gross profit percentages by business segment for the three and six months ended April 30, 2022 and 2021:

	<u>Three months ended April 30,</u>			<u>Six months ended April 30,</u>		
	<u>2022</u>	<u>Change</u>	<u>2021</u>	<u>2022</u>	<u>Change</u>	<u>2021</u>
Gross profit (loss):						
Fresh products	\$18,156	21 %	\$15,008	\$29,822	6 %	\$28,153
RFG	2,244	(2)%	2,288	1,592	(30)%	2,266
Calavo Foods	<u>1,341</u>	(75)%	<u>5,304</u>	<u>3,555</u>	(65)%	<u>10,020</u>
Total gross profit	<u>\$21,741</u>	(4)%	<u>\$22,600</u>	<u>\$34,969</u>	(14)%	<u>\$40,439</u>
Gross profit (loss) percentages:						
Fresh products	8.6 %		9.3 %	8.0 %		10.2 %
RFG	2.2 %		2.4 %	0.8 %		1.2 %
Calavo Foods	6.8 %		25.6 %	9.6 %		26.9 %
Consolidated	6.6 %		8.2 %	5.8 %		8.1 %

Summary

Our cost of goods sold consists predominantly of ingredient costs (fruit, vegetables and other food products), packing materials, freight and handling, labor and overhead (including depreciation) associated with preparing food products, and other direct expenses pertaining to products sold.

Gross profit decreased by approximately \$0.9 million, or 4%, for the second quarter of fiscal 2022 compared to the corresponding period in fiscal 2021. The decrease was primarily attributable to gross profit declines across the Calavo Foods segment. Gross profit decreased by approximately \$5.5 million, or 14%, for the six months ended April 30, 2022 compared to the corresponding period in fiscal 2021. The decrease was primarily attributable to gross profit declines across the RFG and Calavo Foods segments.

Fresh products

The increase in our Fresh products gross profit for the quarter ended April 30, 2022, was the result of increased gross profit for avocados. Overall gross profit increased for avocados, while the overall gross profit percentage decreased. For the second quarter of fiscal 2022, the gross profit percentage for avocados was 8.5% compared to 9.2% for the second quarter of 2021, due to lower volumes and increases in labor, and freight costs.

Gross profit for the quarter was also affected by the weakening of the U.S. dollar in relation to the Mexican peso during the quarter, resulting in a \$0.3 million net loss related the remeasurement of peso-dominated net assets at our Mexican subsidiaries. This is in comparison to a remeasurement gain of \$0.5 million for the same period last year.

The increase in our Fresh products gross profit for the six months ended April 30, 2022, was the result of increased gross profit for avocados. Overall gross profit increased for avocados, while the overall gross profit percentage decreased. For the six months ended April 30, 2022, the gross profit percentage for avocados was 7.9% compared to 10.1% for the six months ended April 30, 2021, due to lower volumes and increases in labor, and freight costs.

Gross profit for the quarter was also affected by the weakening of the U.S. dollar in relation to the Mexican peso during the six months ended April 30, 2022, resulting in a \$0.9 million net loss related the remeasurement of peso-dominated net assets at our Mexican subsidiaries. This is in comparison to a remeasurement gain of \$0.6 million for the same period last year.

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Note that any additional significant fluctuations in the exchange rate between the U.S. dollar and the Mexican peso may have a material impact on future gross profits for our Fresh products segment.

RFG

RFG's gross profit percentage for the quarter ended April 30, 2022 was 2.2%, compared to 2.4% for the prior year period. The declines in gross profit for the quarter ended April 30, 2022, were due to increased commodity costs, lack of availability of key commodities, and lower supply and higher turnover of labor.

RFG's gross profit percentage for the six months ended April 30, 2022 was 0.8%, compared to 1.2% for the prior year period. The declines in gross profit for the six months ended April 30, 2022, were due to increased commodity costs, lack of availability of key commodities, and lower supply and higher turnover of labor. In addition, results were negatively impacted by ramp up and consolidation of operations in our Jacksonville, Florida facility into our Georgia facility.

We continue to experience operational challenges to our production facilities and logistics networks, shortage of labor and impacts from increases in prices of petroleum-based products, packaging materials and commodities, all of which are increasing costs companywide with the effects especially pronounced at RFG.

In response to the inflationary costs described above, we notified our customers of our plans to institute price increases for our RFG and Foods products. Management believes the price increases will largely be accepted by our customers without significant loss of sales, will reverse the margin compression experienced by the RFG and Foods segments during the pandemic, and will enable us to continue to invest in initiatives that drive growth. However, we cannot assure that such price increases will not cause a loss of sales, will improve margins in our RFG and Foods segments or that we will be able to undertake future initiatives to drive growth.

Management has considered the impact of current operating results as well as expected future results and has concluded that there were no impairment indicators with regard to intangible assets carried on the balance sheet as of April 30, 2022. This is consistent with the Company's previous assessments which had reflected a significant cushion between the Company's fair value determinations and the recorded carrying values of the respective intangible assets. Management will continue to evaluate the impact of operating results on these considerations in future quarters.

Calavo Foods

Calavo Foods' gross profit percentage for the second quarter of fiscal 2022 was 6.8%, compared to 25.6% for the prior year period. Calavo Foods' gross profit percentage for the six months ended April 30, 2022 was 9.6%, compared to 26.9% for the prior year period. The decreases in Calavo Foods gross profit percentage were due primarily to higher fruit costs and manufacturing costs. Any significant fluctuation in the cost of fruit used in the production process or the exchange rate between the U.S. dollar and the Mexican peso may have a material impact on future gross profit for our Calavo Foods segment.

Selling, General and Administrative

	Three months ended April 30,			Six months ended April 30,		
	2022	Change	2021	2022	Change	2021
	(Dollars in thousands)			(Dollars in thousands)		
Selling, general and administrative	\$16,605	21 %	\$13,683	\$31,853	14 %	\$27,857
Percentage of net sales	5.0 %		4.9 %	5.3 %		5.6 %

Selling, general and administrative expenses of \$16.6 million for the three months ended April 30, 2022 include costs of marketing and advertising, sales expenses (including broker commissions) and other general and administrative costs. Selling, general and administrative expenses increased by \$2.9 million, or 21%, for the three months ended April 30, 2022 compared to the prior year period. This increase was primarily due to an increase in management restructuring costs that include recruiting fees and severance expenses (\$1.5 million), an increase in consulting services related to restructuring efforts (\$0.7 million), and an increase in salaries related to the investment in key personnel to advance

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Project Uno (\$0.7 million). Partially offsetting this increase was a decrease of stock-based compensation due to less amortization related to management incentive stock awards (\$0.5 million).

Selling, general and administrative expenses of \$31.9 million for the six months ended April 30, 2022 include costs of marketing and advertising, sales expenses (including broker commissions) and other general and administrative costs. Selling, general and administrative expenses increased by \$4.0 million, or 14%, for the six months ended April 30, 2022 compared to the prior year period. This increase was primarily due to an increase in consulting services related to restructuring efforts (\$1.8 million), an increase in management restructuring costs that include recruiting fees and severance (\$1.5 million), and an increase in salaries related to the investment in key personnel to advance Project Uno (\$1.0 million). Partially offsetting this increase was a decrease of stock-based compensation due to less amortization related to management incentive stock awards (\$0.9 million).

Loss from unconsolidated entities

	<u>Three months ended April 30,</u>			<u>Six months ended April 30,</u>		
	<u>2022</u>	<u>Change</u>	<u>2021</u>	<u>2022</u>	<u>Change</u>	<u>2021</u>
	<u>(Dollars in thousands)</u>			<u>(Dollars in thousands)</u>		
Loss from unconsolidated entities	\$ (8)	(99)%	\$(1,131)	\$(543)	(58)%	\$(1,286)

Losses from unconsolidated entities includes our participation in earnings or losses from our investments in Don Memo. For the three months ended April 30, 2022, we realized losses from Agricola Don Memo totaling less than \$0.1 million and \$1.1 million. For the six months ended April 30, 2022, we realized losses from Agricola Don Memo totaling less than \$0.5 million and \$1.3 million.

Income Taxes (Provision) Benefit

	<u>Three months ended April 30,</u>			<u>Six months ended April 30,</u>		
	<u>2022</u>	<u>Change</u>	<u>2021</u>	<u>2022</u>	<u>Change</u>	<u>2021</u>
Income tax benefit (provision)	\$ 187	(107)%	\$(2,772)	\$1,347	NA	\$(4,715)
Effective tax rate	40.4 %		24.0 %	23.3 %		25.2 %

Our tax provision is determined using an estimated annual effective tax rate and adjusted for discrete taxable events that may occur during the quarter.

Liquidity and Capital Resources

Cash provided by operating activities was \$21.3 million for the six months ended April 30, 2022, compared to cash provided by operating activities of \$10.4 million for the corresponding period in fiscal 2021. Cash provided by operating activities for the six months ended April 30, 2022 reflect primarily our net loss of \$4.4 million, plus add-backs for non-cash activities (depreciation and amortization, stock-based compensation expense, provision for losses on accounts receivable, losses from unconsolidated entities, net gains or losses on Limoneira shares, deferred taxes, loss on disposal of property, plant and equipment, and gain on the sale of the Temecula packinghouse) of \$17.6 million and a net increase in the components of our working capital of approximately \$8.2 million.

Increases in operating cash flows caused by working capital changes include an increase in payable to growers of \$29.1 million, a net increase in accounts payable, accrued expenses and other liabilities of \$16.3 million, and a decrease in income taxes receivable of \$2.9 million, partially offset by an increase in accounts receivable of \$24.3 million, an increase in inventory of \$13.0 million, an increase in other assets of \$1.6 million, and an increase in advances to suppliers of \$1.2 million.

The increase In payable to growers is mostly due to increased cost per unit, resulting from supply constraints in Mexico, for California and Mexican avocados in the month of April 2022 compared to October 2021. The increase in accounts payable, accrued expenses and other liabilities is primarily related to an increase in payables related to an

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increase in the price of California and Mexican avocados. The decrease in income taxes receivable is due to the receipt of an income tax refund in the first quarter of fiscal 2022. The increase in our accounts receivable, as of April 30, 2022, when compared to October 31, 2021, is primarily due an increase in sales in April 2022 compared to October 2021. The increase in our inventory, as of April 30, 2022 when compared to October 31, 2021, is primarily due to higher inventory of California and Mexican Avocados. The increase in advances to suppliers is mainly due to advances to our tomato growers in the first three months of fiscal 2022.

Cash used in investing activities was \$3.8 million for the six months ended April 30, 2022, which primarily related to the purchases of property, plant and equipment.

Cash used in financing activities was \$17.1 million for the six months ended April 30, 2022, which related principally to the payment of a \$20.3 million dividend, payments on long-term obligations of \$1.0 million and the \$0.1 million of payments on the minimum net holding of taxes on the net settlement of shares, partially offset by the net proceeds on our credit facilities totaling \$4.2 million.

Our principal sources of liquidity are our existing cash reserves, cash generated from operations and amounts available for borrowing under our existing credit facilities. Restricted cash, cash and cash equivalents as of April 30, 2022 and October 31, 2021 totaled \$3.3 million and \$2.9 million. Our working capital at April 30, 2022 was \$45.7 million, compared to \$38.0 million at October 31, 2021.

We believe that cash flows from operations, the available Credit Facility, and other sources will be sufficient to satisfy our future capital expenditures, grower recruitment efforts, working capital and other financing requirements for at least the next twelve months. We will continue to pursue grower recruitment opportunities and expand relationships with retail and/or foodservice customers to fuel growth in each of our business segments. We have a revolving credit facility with Bank of America as administrative agent and Farm Credit West as joint lead arranger. Under the terms of this agreement, we may draw on funds for both working capital and long-term productive asset purchases. Total credit available under this agreement is \$80 million and it expires in January 2026. For our Credit Facility, the weighted-average interest rate was 2.2% and 2.2% at April 30, 2022 and October 31, 2021. Under the Credit Facility, we had \$41.9 million and \$37.7 million outstanding as April 30, 2022 and October 31, 2021.

On December 1, 2021, we entered into the Fourth and Fifth Amendments to the Credit Agreement with Bank of America, N.A., as administrative agent (“Bank of America”), and Farm Credit West, PCA (together with Bank of America, the “Lenders”), relating to our Credit Agreement dated as of June 14, 2016, The Fourth and Fifth Amendments, among other terms, included Calavo de Mexico (CDM) as a guarantor, increased the interested rate by 0.5%, and amended the financial covenant requirements as follows:

- The Fixed Charge Coverage Ratio (FCCR) covenant was waived for the quarters ended October 31, 2021, January 31, 2022 and April 30, 2022. The covenant will resume for the quarter ended July 31, 2022.
- The quarterly FCCR covenant was replaced by a cumulative monthly minimum Consolidated EBITDA covenant, with the first measurement occurring as of January 31, 2022 for the three months then ended, and continuing monthly thereafter through June 2022.
- Consolidated financial statements must be submitted monthly for the month and year-to-date period, beginning with the financial statements for the month of November 2021 and continuing through June 2022.

The Company also pledged the 1,677,000 shares it holds of Limoneira stock as collateral (which was in addition to the general business assets of the Company that already secure the credit facility).

The above terms and conditions will remain in effect until such time as the Company has certified compliance with a 1.15 to 1.0 minimum FCCR for two consecutive fiscal quarters.

As of January 31, 2022, the Company was not in compliance with the cumulative monthly minimum Consolidated EBITDA covenant, and the Consolidated Leverage Ratio (CLR) covenant. In March 2022, the Company and Bank of America, N.A. have entered into the Sixth Amendment, Limited Waiver, and Limited Consent to Credit Agreement (the

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“Sixth Amendment”). The Sixth Amendment, among other terms, waived the non-compliance of the financial covenants as of January 31, 2022 and amended the financial covenant requirements as follows:

- The cumulative monthly minimum Consolidated EBITDA testing has been waived and the CLR covenant testing is waived through July 31, 2022.
- Minimum Consolidated EBITDA of \$3 million, \$3 million and \$5 million for the months of February, March and April 2022, respectively, will be required.
- Monthly cumulative FCCR of 1.20 will be required starting with the quarter ended April 30, 2022, converting to trailing 12 months calculation starting as of October 31, 2022 and quarterly thereafter. For April through September 2022, dividends paid in December 2021 are included on a pro-rata basis.

The interest rate of the facility increased to BSBY plus 3.0%, until the first business day of the month after we certify that no default or event of default exists for the period ended July 31, 2022, at which point the interest rate will range between BSBY 1.25 – 1.75% based on our CLR. The total facility reduced from \$100 million to \$80 million and will be limited to a borrowing base consisting of the sum of eligible accounts receivable (80%), eligible US inventory (50%), and Limoneira shares (60%), less grower payables.

As of April 30, 2022, we were in compliance with the financial covenants, and we expect to remain in compliance through June 2023. As of April 30, 2022, approximately \$5.6 million was available for borrowing, based on our borrowing base calculation, as discussed above.

Contractual Commitments

There have been no other material changes to our contractual commitments from those previously disclosed in our Annual Report on Form 10-K for our fiscal year ended October 31, 2021. For a summary of the contractual commitments at October 31, 2021, see Part II, Item 7, in our 2021 Annual Report on Form 10-K.

Impact of Recently Issued Accounting Pronouncements

See Note 1 to the consolidated condensed financial statements included in this Quarterly Report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our financial instruments include cash and cash equivalents, accounts receivable, payable to growers, accounts payable, current and long-term borrowings pursuant to our Credit Facility, and long-term, fixed-rate obligations. All of our financial instruments are entered into during the normal course of operations and have not been acquired for trading purposes. The table below summarizes interest rate sensitive financial instruments and presents principal cash flows in U.S. dollars, which is our reporting currency, and weighted-average interest rates by expected maturity dates, as of April 30, 2022.

(All amounts in thousands)

	Expected maturity date April 30,						Total	Fair Value
	2023	2024	2025	2026	2027	Thereafter		
Assets								
Restricted cash, cash and cash equivalents (1)	\$ 3,266	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,266	\$ 3,266
Accounts receivable (1)	103,153	—	—	—	—	—	103,153	103,153
Advances to suppliers (1)	7,904	—	—	—	—	—	7,904	7,904
Liabilities								
Payable to growers (1)	\$ 52,105	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 52,105	\$ 52,105
Accounts payable (1)	18,639	—	—	—	—	—	18,639	18,639
Borrowings pursuant to credit facilities (1)	—	—	—	41,900	—	—	41,900	41,900

(1) We believe the carrying amounts of cash and cash equivalents, accounts receivable, advances to suppliers, payable to growers, and accounts payable approximate their fair value due to the short maturity of these financial instruments and the carrying amount of borrowings pursuant to credit facilities approximates fair market value due to the variable rate of interest.

We were not a party to any derivative instruments during the fiscal year. It is currently our intent not to use derivative instruments for speculative or trading purposes. Additionally, we do not use any hedging or forward contracts to offset market volatility.

Our Mexican-based operations transact a significant portion of business in Mexican pesos. Funds are transferred by our corporate office to Mexico on a weekly basis to satisfy domestic cash needs. We do not currently use derivative instruments to hedge fluctuations in the Mexican peso to U.S. dollar exchange rates. Management does, however, evaluate this opportunity from time to time. Total foreign currency remeasurement losses for the three months ended April 30, 2022 and 2021, net of gains, was \$0.3 million and \$0.5 million. Total foreign currency remeasurement losses for the six months ended April 30, 2022, net of gains, was \$0.9 million. Total foreign currency remeasurement gains for the six months ended April 30, 2021, net of losses, was \$0.6 million.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined in Rule 13a-15I under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of the end of the period covered by this report. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective.

Except as set forth below, there were no changes in the Company’s internal control over financial reporting during the quarter ended April 30, 2022 that have materially affected, or are reasonably likely to

materially affect, the Company's internal control over financial reporting. During the second quarter of fiscal 2022, we had changes in our management structure, including the departure of our Chief Accounting Officer, Chief Operations Officer and Chief Financial Officer. These changes resulted in material changes in our internal control over financial reporting as their responsibilities shifted to other personnel. Taking into account these changes, as noted above, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may become involved in litigation arising in the ordinary course of our business. We have provided information about certain legal proceedings in which we are involved in Note 7 to the consolidated condensed financial statements included in this Quarterly Report for further information.

ITEM 1A. RISK FACTORS

For a discussion of our risk factors, see Part I, Item 1A “Risk Factors” of our Annual Report on Form 10-K for the year ended October 31, 2021. Except as set forth below, there have been no material changes from the risk factors set forth in such Annual Report on Form 10-K. However, the risks and uncertainties that we face are not limited to those set forth in the 2021 Form 10-K. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business and the trading price of our common stock.

ITEM 5. OTHER INFORMATION

Because this Quarterly Report on Form 10-Q is being filed within four business days after the applicable triggering events, the information below is being disclosed under this Item 5 instead of under Item 1.01 (Entry into a Material Definitive Agreement) of Form 8-K. All terms capitalized but not defined shall have the meanings given in the Indemnification Agreement filed herewith.

On May 27, 2022, the Board of Directors of the Company (the “Board”) approved the form of Indemnification Agreement to be entered into by the Company and each of its directors and executive officers (the “D&O Indemnification Agreement”).

To the fullest extent permitted by applicable law but subject to the indemnification limitations set forth in the Indemnification Agreement, the Company shall indemnify any director or executive officer who is a party or is threatened to be made a party to any Action, subject to certain limitations described in the Indemnification Agreement, by reason of the fact that such director or executive officer is or was an Agent, against all Expenses, judgments, Fines, amounts paid in settlement and other amounts actually and reasonably incurred by such director or executive officer in connection with such Action unless the Company shall establish, in accordance with the Indemnification Agreement, that such director or executive officer did not act in good faith and in a manner reasonably believed to be in the best interests of the Company and, with respect to any criminal Action, had no reasonable cause to believe such director or executive officer’s conduct was unlawful.

In addition, the D&O Indemnification Agreement provides that, to the fullest extent permitted by applicable law, the Company will advance all Expenses actually and reasonably incurred by its directors and executive officers in connection with a legal proceeding involving their status as a director or executive officer, or initiated to establish or enforce a right to indemnification or advances under the Indemnification Agreement.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. There is no pending litigation or proceeding naming any of our directors or officers as to which indemnification is being sought, nor are we aware of any pending or threatened litigation that may result in claims for indemnification by any director or officer.

The foregoing description of the D&O Indemnification Agreement does not purport to be complete and is qualified in its entirety by reference to the complete text of the form of D&O Indemnification Agreement, a copy of which is attached as Exhibit 10.2 hereto and is incorporated herein by reference.

ITEM 6. EXHIBITS

- 10.1 [Sixth Amendment, Limited Waiver and Limited Consent to Credit Agreement, dated March 14, 2022](#) *
- 10.2 [Form of Indemnification Agreement between the Company and each of its directors and executive officers](#) *
- 31.1 [Certification of Chief Executive Officer and interim Chief Financial Officer Pursuant to 15 U.S.C. § 7241, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#) *
- 32.1 [Certification by Chief Executive Officer and Interim Chief Financial Officer of Periodic Report Pursuant to 18 U.S.C. Section 1350.](#) *

- 101 The following financial information from the Quarterly Report on Form 10-Q of Calavo Growers, Inc. for the quarter ended April 30, 2022, formatted in Inline XBRL (Extensible Business Reporting Language): (1) Consolidated Condensed Balance Sheets as of April 30, 2022 and October 31, 2021; (2) Consolidated Condensed Statements of Operations for the three and six months ended April 30, 2022 and 2021; (3) Consolidated Condensed Statements of Cash Flows for the six months ended April 30, 2022 and 2021; (4) Consolidated Statements of Shareholders' Equity for the three and six months ended April 30, 2022 and 2021; and (5) Notes to Consolidated Condensed Financial Statements.

- 104 Cover Page Interactive Data File (formatted as Inline XBRL).

* Filed with this Form 10-Q.

SIGNATURES

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

Calavo Growers, Inc.
(Registrant)

Date: June 2, 2022

By /s/ Brian Kocher
Brian Kocher
President, Chief Executive Officer (Principal
Executive Officer) and Interim Chief Financial
Officer (Principal Financial Officer)

**SIXTH AMENDMENT, LIMITED WAIVER AND LIMITED CONSENT
TO CREDIT AGREEMENT**

THIS SIXTH AMENDMENT, LIMITED WAIVER AND LIMITED CONSENT TO CREDIT AGREEMENT (this "Amendment") is dated as of March 14, 2022, and is entered into by and among **CALAVO GROWERS, INC.**, a California corporation (the "Borrower"), **RENAISSANCE FOOD GROUP, LLC**, a Delaware limited liability company ("Renaissance"), **CALAVO DE MEXICO, S.A. DE C.V.**, a *sociedad anónima de capital variable* organized under the laws of Mexico ("Calavo Mexico"; together with Renaissance, each, a "Guarantor" and collectively, the "Guarantors" and together with the Borrower, each, a "Loan Party" and collectively the "Loan Parties"), the Lenders identified on the signature pages hereto and **BANK OF AMERICA, N.A.**, as administrative agent for the Lenders (in such capacity, the "Administrative Agent").

WITNESSETH

WHEREAS, pursuant to the Credit Agreement (as amended, modified, supplemented, increased and extended from time to time, the "Credit Agreement") dated as of June 14, 2016 among the Borrower, the Guarantors identified therein, the Lenders identified therein and the Administrative Agent, the Lenders have agreed to make credit extensions available to the Loan Parties;

WHEREAS, the Administrative Agent and the Lenders have been made aware that (a) Borrower and its Subsidiaries have failed to maintain Consolidated EBITDA of at least \$9,948,000 as of the end of January 31, 2022, as required under Section 7.11(c) of the Credit Agreement, which failure constitutes an Event of Default under Section 8.01(b) of the Credit Agreement (such existing Event of Default, the "January EBITDA Default"); and (b) Borrower and its Subsidiaries have failed to maintain a Consolidated Leverage Ratio of not greater than 2.50:1.00 as of the end of the fiscal quarter of Borrower ending on January 31, 2022, as required under Section 7.11(a) of the Credit Agreement, which failure constitutes an Event of Default under Section 8.01(b) of the Credit Agreement (such existing Event of Default, the "January Leverage Default"; and collectively with the January EBITDA Default, the "Specified Events of Default"); and

WHEREAS, the Borrower and its Subsidiaries have requested that the Administrative Agent and Lenders (a) waive the Specified Events of Default, (b) provide limited waivers as set forth herein, and (c) amend the Credit Agreement in certain respects, which the Administrative Agent and Lenders are willing to do, pursuant to the terms and subject to the conditions set forth herein.

AGREEMENT

NOW, THEREFORE, IN CONSIDERATION of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Defined Terms. Capitalized terms used herein but not otherwise defined herein shall have the meanings provided to such terms in the Credit Agreement.

2. Amendments to Credit Agreement.

(a) **Amendment to Section 1.01 – New Definitions.** The following new definitions are hereby added to Section 1.01 of the Credit Agreement in the appropriate alphabetical order:

“Availability Reserve” means the sum (without duplication) of the payables owed to growers and additional reserves in amounts and with respect to matters as Administrative Agent may establish from time to time in its Permitted Discretion, including any negative marked to market amounts owed with respect to Hedge Agreements.

“Borrowing Base Certificate” means a certificate in form and substance reasonably satisfactory to Administrative Agent which calculates the Loan Value and Eligible Collateral.

“Eligible Collateral” means, collectively, Eligible Inventory and Eligible Receivables.

“Eligible Inventory” means Inventory of the Borrower subject to the Lien of the Loan Documents, the value of which shall be determined by taking into consideration the lowest of its cost, its book value determined in accordance with GAAP and its net orderly liquidation value as determined in an appraisal by an appraiser reasonably satisfactory to Administrative Agent; provided, however, that none of the following classes of Inventory shall be deemed to be Eligible Inventory:

(a) Inventory in-transit or not located at the locations set forth in Schedule 6.14 or at the locations permitted pursuant to Section 6.14(b)(ii);

(b) Inventory located on leaseholds as to which the lessor has not entered into a consent and agreement (solely with respect to locations of Borrower on Schedule 6.14 existing on the Sixth Amendment Effectiveness Date, within sixty (60) days of the Sixth Amendment Effectiveness Date (or such longer period as permitted by Administrative Agent in its Permitted Discretion)) providing the Administrative Agent with the right to receive notices of default, the right to repossess such Inventory at any time and such other rights as may be requested by the Administrative Agent, unless Administrative Agent has imposed an Availability Reserve on such leasehold in an amount equal to three (3) months’ rent for such leasehold;

(c) Inventory that is obsolete, unusable or otherwise unavailable for sale;

(d) Inventory consisting of promotional, marketing, packaging or shipping materials and supplies;

(e) Inventory that fails to meet in all material respects all standards imposed by any Governmental Authority having regulatory authority over such Inventory or its use or sale;

(f) Inventory that is subject to any licensing, patent, royalty, trademark, trade name or copyright agreement with any third party from which the Borrower or any of its Subsidiaries has received notice of a dispute in respect of any such agreement;

(g) Inventory located outside the United States;

(h) Inventory that is not in the possession of or under the sole control of the Borrower or any of its Subsidiaries;

(i) Inventory consisting of parts or work in progress;

(j) Inventory with respect to which the representations and warranties set forth in any Loan Document applicable to Inventory are not correct in any material respect; and

(k) Inventory in respect of which the applicable Loan Document, after giving effect to the related filings of financing statements that have then been made, if any, does not or has ceased to create a valid and perfected first priority lien or security interest in favor of the Administrative Agent, on behalf of the Secured Parties, securing the Obligations, subject to Permitted Liens which do not have priority over Administrative Agent's Lien.

“Eligible Receivables” means Receivables of the Borrower subject to the Lien of the Loan Documents, the value of which shall be determined by taking into consideration, among other factors, their book value determined in accordance with GAAP; provided, however, that none of the following classes of Receivables shall be deemed to be Eligible Receivables:

(a) Receivables that do not arise out of sales of goods or rendering of services in the ordinary course of the Borrower's or the relevant Subsidiary's business;

(b) Receivables payable other than in Dollars or that are otherwise on terms other than those normal or customary in the Borrower's or the relevant Subsidiary's business;

(c) Receivables owing from any Person that is an Affiliate of the Borrower;

(d) Receivables more than 90 days past original invoice date;

(e) Receivables owing from any Person from which an aggregate amount of more than 25% of the Receivables owing therefrom are ineligible under the foregoing clause;

(f) (i) Receivables, when aggregated with other Receivables owing by such Person (other than for The Kroger Co., Costco Wholesale Corporation, Walmart Inc., Trader Joe's Company and their respective Affiliates) exceeds 10% of the aggregate Receivables (or such higher percentage as Administrative Agent may establish for such Person from time to time in its Permitted Discretion); or (ii) (w) with respect to Receivables owing by The Kroger Co. and its Affiliates, when aggregated with other Accounts owing by such Persons, it exceeds 15% of the aggregate Receivables (or such higher percentage as Administrative Agent may establish for such Persons from time to time in its Permitted Discretion); (x) with respect to Receivables owing by Costco Wholesale Corporation and its Affiliates, when aggregated with other Accounts owing by such Persons, it exceeds 15% of the aggregate Receivables (or such higher percentage as Administrative Agent may

establish for such Persons from time to time in its Permitted Discretion); or (y) with respect to Receivables owing by Walmart Inc. and its Affiliates, when aggregated with other Accounts owing by such Persons, it exceeds 15% of the aggregate Receivables (or such higher percentage as Administrative Agent may establish for such Persons from time to time in its Permitted Discretion); or (z) with respect to Receivables owing by Trader Joe's Company and its Affiliates, when aggregated with other Accounts owing by such Persons, it exceeds 15% of the aggregate Receivables (or such higher percentage as Administrative Agent may establish for such Persons from time to time in its Permitted Discretion);

(g) Receivables owing from any Person that (i) has disputed liability for any Receivable owing from such Person or (ii) has otherwise asserted any claim, demand or liability against the Borrower or any of its Subsidiaries, whether by action, suit, counterclaim or otherwise; provided that for purposes of subclause (g)(i), such Receivables shall be excluded only to the extent of the amounts being disputed by such Person at any date of determination;

(h) Receivables owing from any Person that shall take or be the subject of any action or proceeding of a type described in Section 8.01(f);

(i) Receivables (i) owing from any Person that is also a supplier to or creditor of the Borrower or any of its Subsidiaries unless such Person has waived any right of setoff in a manner acceptable to the Administrative Agent or (ii) representing any manufacturer's or supplier's credits, discounts, incentive plans or similar arrangements entitling the Borrower or any of its Subsidiaries to discounts on future purchase therefrom;

(j) Receivables arising out of sales to account debtors outside the United States, unless the Receivable is supported by a letter of credit or credit insurance reasonably satisfactory to Administrative Agent;

(k) Receivables arising out of sales on a bill-and-hold, guaranteed sale, sale-or-return, sale-on-approval, cash-on-delivery, or consignment basis or subject to any right of return, setoff or charge back, but ineligibility related to such setoff or charge back shall be limited to the amount thereof;

(l) Receivables owing from an account debtor that is an agency, department or instrumentality of the United States or any state, county, city, town or municipality thereof unless the Borrower or its relevant Subsidiary shall have satisfied the requirements of the Assignment of Claims Act of 1940, and any similar state or local legislation and the Administrative Agent is satisfied as to the absence of setoffs, counterclaims and other defenses on the part of such account debtor;

(m) Receivables with respect to which the representations and warranties set forth in any Loan Document applicable to Receivables are not correct in any material respect; and

(n) Receivables in respect of which the applicable Loan Document, after giving effect to the related filings of financing statements that have then been made, if any, does not or has ceased to create a valid and perfected first priority

lien or security interest in favor of the Administrative Agent, on behalf of the Secured Parties, securing the Obligations.

“Inventory” means “Inventory” (as defined in Section 1.A of the Security Agreement).

“Loan Value” means, at any time, with respect to the Eligible Collateral, the sum of the following amounts:

- (a) 50% of the value of Eligible Inventory; plus
- (b) 80% of the value of Eligible Receivables; plus
- (c) 60% of the market value of Equity Interests in Limoneria Company owned by the Borrower free and clear of any Liens (other than in favor of Administrative Agent); minus
- (d) the Availability Reserve.

“Permitted Discretion” means a determination made in the exercise, in good faith, of reasonable business judgement (from the perspective of a secured lender).

“Receivables” means “Accounts” (as defined in Section 1.A of the Security Agreement).

“Security Agreement” means that certain Security and Pledge Agreement dated December 1, 2021 among Borrower, other parties identified as “Grantors” on the signature pages thereto, and Administrative Agent, as amended, restated, amended and restated, supplemented or otherwise modified from time to time.

“Sixth Amendment Effectiveness Date” means March 14, 2022.

(b) **Deleted Definitions in Section 1.01.** The definitions for “Availability Block” and “Release Date” in Section 1.01 of the Credit Agreement are hereby deleted without replacement.

(c) **Amendment to definition of “Applicable Rate” in Section 1.01.** The definition for “Applicable Rate” in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

“Applicable Rate” means, for any day,

(i) with respect to Credit Extensions based on Commitments provided by Patronage Lenders, the per annum rate of (x) 1.75% with respect to BSBY Daily Floating Rate Loans and Letter of Credit Fee, (y) 0.75% with respect to Base Rate Loans and (z) 0.15% with respect to the commitment fee provided for in Section 2.09(a); and

(ii) with respect to Credit Extensions based on Commitments from Non-Patronage Lenders, the rate per annum set forth below opposite the applicable Level then in effect (based on the Consolidated Leverage Ratio), it being understood that the Applicable Rate (related to Credit Extensions based on Commitments from Non-Patronage Lenders for (a) Revolving Loans that are Base

Rate Loans shall be the percentage set forth under the column “Base Rate”, (b) Revolving Loans that are BSBY Daily Floating Rate Loans shall be the percentage set forth under the column “BSBY Daily Floating Rate Loans & Letter of Credit Fee”, (c) the Letter of Credit Fee shall be the percentage set forth under the column “BSBY Daily Floating Rate Loans & Letter of Credit Fee”, and (d) the commitment fee provided for in Section 2.09(a) shall be the percentage set forth under the column “Commitment Fee”:

Level	Consolidated Leverage Ratio	BSBY Daily Floating Rate Loans & Letter of Credit Fee	Base Rate	Commitment Fee
1	≥ 2.00:1.00	1.75%	0.75%	0.15%
2	< 2.00:1.00 and > 1.00:1.00	1.50%	0.50%	0.15%
3	≤ 1.00:1.00	1.25%	0.25%	0.15%

Any increase or decrease in the Applicable Rate for Credit Extensions based on Commitments from Non-Patronage Lenders resulting from a change in the Consolidated Leverage Ratio shall become effective as of the first Business Day immediately following the date a Compliance Certificate is delivered pursuant to Section 6.02(b); provided, however, that if a Compliance Certificate is not delivered when due in accordance with such Section, then, upon Administrative Agent’s determination, Pricing Level 1 shall apply, in each case as of the first Business Day after the date on which such Compliance Certificate was required to have been delivered and in each case shall remain in effect until the first Business Day following the date on which such Compliance Certificate is delivered. In addition, at all times while the Default Rate is in effect, the highest rate set forth in each column of the Applicable Rate shall apply to Credit Extensions based on Commitments from Non-Patronage Lenders.

Notwithstanding anything to the contrary contained in this definition, the determination of the Applicable Rate for any period shall be subject to the provisions of Section 2.10(b). Any adjustment in the Applicable Rate for Credit Extensions based on Commitments from Non-Patronage Lenders shall be applicable to all Credit Extensions based on Commitments from Non-Patronage Lenders then existing or subsequently made or issued.

Notwithstanding the foregoing, the Applicable Rate for the period commencing on the Sixth Amendment Effectiveness Date until the first Business Day of the month occurring after receipt by Administrative Agent of the July 31, 2022 Compliance Certificate reflecting that no Default or Event of Default exists, shall be (i) 3.00% for BSBY Daily Floating Rate Loans and Letter of Credit Fees, (ii) 2.00% for Base Rate Loans, and (iii) 0.25% for the Commitment Fee. For the

avoidance of doubt, such increase pursuant hereof shall apply to both Patronage and Non-Patronage Lenders.

The Applicable Rate set forth above shall be increased as, and to the extent, required by Section 2.16.

(d) **Amendment to Section 1.01 – Amended Definitions.** The following definitions as set forth in Section 1.01 of the Credit Agreement are hereby amended and restated in their entirety as follows:

“Consolidated Fixed Charge Coverage Ratio” means, as of any date of determination, the ratio of (a) (i) Consolidated EBITDA, minus (ii) the aggregate amount of all maintenance Consolidated Capital Expenditures (in the amount of \$6,000,000 in any Measurement Period) to (b) the sum of (i) Consolidated Interest Charges to the extent paid in cash, (ii) the aggregate principal amount of all redemptions or similar acquisitions for value of outstanding debt or regularly scheduled principal payments on debt for borrowed money or Capitalized Leases, but excluding (x) any such payments to the extent refinanced through the incurrence of additional Indebtedness otherwise expressly permitted under Section 7.02 and (y) any redemption payments by or on behalf of Calavo Mexico with respect to the Calavo Mexico Letter of Credit, (iii) the aggregate amount of all Restricted Payments paid in cash and (iv) the aggregate amount of federal, state, local and foreign income Taxes paid in cash (excluding, to the extent included in such calculation for the fiscal year ended October 31, 2021, (x) the Mexican Tax Assessment (2011), which shall be excluded commencing July 31, 2021 and (y) Mexican Tax Assessment (2013)), in each case, of or by the Borrower and its Subsidiaries for the most recently completed Measurement Period. For the purposes of calculating the Consolidated Fixed Charge Coverage Ratio for the measurement dates occurring between February 1, 2022 and September 30, 2022, (x) the dividend made by Borrower in December 2021 in the amount of \$20,343,000 shall be deemed made in each month occurring during such period in an amount equal to 1/12th of such dividend, and (y) Consolidated Capital Expenditures shall be deemed to be \$500,000 for each month occurring during such period.

“Measurement Period” means, at any date of determination, subject to Section 7.11(b)(i) solely with respect to the calculation of the Consolidated Fixed Charge Coverage Ratio and the definition thereof, the twelve (12) months ended as of the end of the most recent fiscal quarter or fiscal month of the Borrower, as applicable.

“Letter of Credit Sublimit” means an amount equal to the lesser of (a) \$17,500,000 and (b) the Revolving Facility. The Letter of Credit Sublimit is part of, and not in addition to, the Revolving Facility.

“Revolving Commitment” means, as to each Revolving Lender, its obligation to (a) make Revolving Loans to the Borrower pursuant to Section 2.01(b), (b) purchase participations in L/C Obligations, and (c) purchase participations in Swingline Loans, in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such Lender’s name on Schedule 1.01(b) under the caption “Revolving Commitment” or opposite such caption in the Assignment and Assumption pursuant to which such Lender becomes a party

hereto, as applicable, as such amount may be adjusted from time to time in accordance with this Agreement.

(e) **Amendment to Section 2.01(b).** Section 2.01(b) of the Credit Agreement is hereby amended and restated as follows:

(b) **Revolving Borrowings.** Subject to the terms and conditions set forth herein, each Revolving Lender severally agrees to make loans (each such loan, a “Revolving Loan”) to the Borrower, in Dollars, from time to time, on any Business Day during the Availability Period, in an aggregate amount not to exceed at any time the amount of such Lender’s Revolving Commitment; provided, however, that after giving effect to any Revolving Borrowing, (i) the Total Revolving Outstandings shall not exceed the Revolving Facility, (ii) the Total Revolving Outstandings shall not exceed the Loan Value and (iii) the Revolving Exposure of any Lender shall not exceed such Revolving Lender’s Revolving Commitment. Within the limits of each Revolving Lender’s Revolving Commitment, and subject to the other terms and conditions hereof, the Borrower may borrow Revolving Loans, prepay under Section 2.05, and reborrow under this Section 2.01(b). Revolving Loans may be Base Rate Loans or BSBY Daily Floating Rate Loans, as further provided herein; provided, however, any Revolving Borrowings made on the Closing Date or any of the three (3) Business Days following the Closing Date shall be made as Base Rate Loans unless the Borrower delivers a Funding Indemnity Letter not less than three (3) Business Days prior to the date of such Revolving Borrowing. If for any reason the Total Revolving Outstandings at any time exceed the lesser of the Loan Value at such time and the Revolving Facility at such time, the Borrower shall immediately prepay Revolving Loans, Swingline Loans and L/C Borrowings and/or Cash Collateralize the L/C Obligations (other than the L/C Borrowings) in an aggregate amount equal to such excess.

(f) **Amendment to Section 6.01(b).** Section 6.01(b) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(b) **Monthly/Quarterly Financial Statements.**

(i) Commencing on the fiscal month ending November 30, 2021 and continuing until the month ending October 31, 2022, as soon as available, but in any event within thirty (30) days after the end of each fiscal month of the Borrower (except in the case of the fiscal month ending November 30, 2021 which shall be due on or prior to January 7, 2022), the Consolidated balance sheets of the Borrower and its Subsidiaries as at the end of such fiscal month, and the related Consolidated statements of income or operations, changes in shareholders’ equity and cash flows for such fiscal month and for the portion of the Borrower’s fiscal year then ended, setting forth in each case in comparative form the figures for the corresponding fiscal month of the previous fiscal year and the corresponding portion of the previous fiscal year, all in reasonable detail and prepared in accordance with GAAP, certified by the chief executive officer, chief financial officer, treasurer or

controller who is a Responsible Officer of the Borrower as fairly presenting the financial condition, results of operations, shareholders' equity and cash flows of the Borrower and its Subsidiaries, subject only to normal year-end audit adjustments and the absence of footnotes and such statements to be certified by the chief executive officer, chief financial officer, treasurer or controller that is a Responsible Officer of the Borrower to the effect that such statements are fairly stated in all material respects when considered in relation to the Consolidated financial statements of the Borrower and its Subsidiaries.

(ii) Commencing on the fiscal quarter ending January 31, 2023, as soon as available, but in any event within forty-five (45) days after the end of each of the first three (3) fiscal quarters of each fiscal year of the Borrower, the Consolidated balance sheets of the Borrower and its Subsidiaries as at the end of such fiscal quarter, and the related Consolidated statements of income or operations, changes in shareholders' equity and cash flows for such fiscal quarter and for the portion of the Borrower's fiscal year then ended, setting forth in each case in comparative form the figures for the corresponding fiscal quarter of the previous fiscal year and the corresponding portion of the previous fiscal year, all in reasonable detail and prepared in accordance with GAAP, certified by the chief executive officer, chief financial officer, treasurer or controller who is a Responsible Officer of the Borrower as fairly presenting the financial condition, results of operations, shareholders' equity and cash flows of the Borrower and its Subsidiaries, subject only to normal year-end audit adjustments and the absence of footnotes and such consolidated statements to be certified by the chief executive officer, chief financial officer, treasurer or controller that is a Responsible Officer of the Borrower to the effect that such statements are fairly stated in all material respects when considered in relation to the Consolidated financial statements of the Borrower and its Subsidiaries.

(g) **Amendment to Section 6.02(a).** Section 6.02(a) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(a) **Borrowing Base Certificate.** As soon as available, but in any event within 30 days after the end of each month, a Borrowing Base Certificate, as at the end of such month, duly certified by the chief executive officer, chief financial officer, treasurer or controller of the Borrower, together with aging reports for accounts payable, accounts receivable, and growers payable, and inventory listing, in each case, in form and substance reasonably satisfactory to Administrative Agent.

(h) **Amendment to Section 6.14.** Section 6.14 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

6.14 Location of Inventory. All Inventory located in the United States, other than Inventory in transit, shall at all times be kept by Borrower at the business locations set forth in Schedule 6.14, except that Borrower may (a) make sales or other dispositions of such Inventory in accordance with Section 7.05; and (b) move such Inventory (i) between such locations or (ii) to another location of Borrower that is not listed on Schedule 6.14, in the case of this clause (b)(ii), upon 20 Business Days prior written notice to Administrative Agent.

(i) **Amendment to Section 7.03.** Section 7.03 of the Credit agreement is hereby amended to add the following paragraph at the end of Section 7.03:

Notwithstanding anything to the contrary in this Agreement, the Loan Parties shall not make any Investments under clauses (b)(iv), (b)(v), (f), (h), (i), (j), (k), (l) or

(m) of this Section 7.03 during the period commencing on March 1, 2022 through and including October 31, 2022 in excess of \$4,000,000 in the aggregate.

(j) **Amendment to Section 7.04(b).** Section 7.04(b) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(b) any Loan Party may Dispose of all or substantially all of its assets (upon voluntary liquidation or otherwise) to the Borrower or to another Loan Party; provided, that the Borrower may Dispose of all or substantially all of its Equity Interests in Limoneria Company by selling such interests to a non-Loan Party so long as (a) the Borrower shall apply the net proceeds of such sale to repay the Loans, promptly, but no later than three (3) Business Days, of the sale (b) no Default or Event of Default exists or would result therefrom, and (c) such sale shall be in an amount not less than the fair market value taking into consideration reasonable and customary discounts for bulk sales.

(k) **Amendment to Section 7.11.** Section 7.11 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

7.11 Financial Covenants

(a) Consolidated Leverage Ratio. Commencing July 31, 2022 and at all times thereafter, permit the Consolidated Leverage Ratio as of the end of any Measurement Period ending as of the end of any fiscal quarter of the Borrower to be greater than 2.50:1.00.

(b) Consolidated Fixed Charge Coverage Ratio. (i) Commencing April 30, 2022 through and including September 30, 2022, permit the Consolidated Fixed Charge Coverage Ratio as of the last day of any fiscal month, measured on a period-to-date basis for the period commencing on February 1, 2022 and ending on the date of measurement set forth in the table below, to be less than 1.20:1.00, and (ii) and at all times thereafter, permit the Consolidated Fixed Charge Coverage Ratio as of the end of any Measurement Period ending as of the end of any fiscal quarter of the Borrower to be less than 1.20:1.00.

Fiscal Month Ending	Period
April 30, 2022	Three consecutive fiscal month period ending on April 30, 2022
May 31, 2022	Four consecutive fiscal month period ending on May 31, 2022
June 30, 2022	Five consecutive fiscal month period ending on June 30, 2022
July 31, 2022	Six consecutive fiscal month period ending on July 31, 2022
August 31, 2022	Seven consecutive fiscal month period ending on August 31, 2022
September 30, 2022	Eight consecutive fiscal month period ending on September 30, 2022

(c) **Minimum Consolidated EBITDA.** Permit Consolidated EBITDA as of the last day of each below fiscal month, measured for that fiscal month, to be less than the amount set forth below:

Fiscal Month Ending	Minimum Consolidated EBITDA
February 28, 2022	\$ 3,000,000
March 31, 2022	\$ 3,000,000
April 30, 2022	\$ 5,000,000

(l) **Amendment to Section 7.12.** Section 7.12 of the Credit Agreement is hereby amended and restated as follows:

7.12 Capital Expenditures. Make or become legally obligated to make any Capital Expenditure, except for Capital Expenditures in the ordinary course of business not exceeding \$15,000,000 in the aggregate for the Borrower and its Subsidiaries during fiscal year ending on or about October 31, 2022, and \$30,000,000 in the aggregate for the Borrower and its Subsidiaries during any other fiscal year.

(m) **Amendment to Section 11.04(a).** Section 11.04(a) of the Credit Agreement is hereby amended and restated as follows:

(a) **Costs and Expenses.** The Loan Parties shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates (including the reasonable fees, charges and disbursements of counsel and financial advisors for the Administrative Agent), in connection with the syndication of the credit facilities provided for herein, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses incurred by the L/C Issuer in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all out-of-pocket expenses incurred by the Administrative Agent, any Lender or the L/C Issuer (including the reasonable fees, charges and disbursements of any counsel for the Administrative Agent, any Lender or the L/C Issuer), in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section, or (B) in connection with Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(n) **Amendment to Schedule 1.01(b).** Schedule 1.01(b) to the Credit Agreement is hereby amended and restated to the form attached hereto as Exhibit A.

(o) **Schedule 6.14.** A new Schedule 6.14 is hereby added to the Credit Agreement in the form attached hereto as Exhibit B.

(p) **Amendment to Section 3 of the Fourth Amendment.** Section 3 of the Fourth Amendment to the Credit Agreement is hereby deleted in its entirety without replacement.

(q) **Amendment to Section 5 of the Fourth Amendment.** Section 5 of the Fourth Amendment to the Credit Agreement is hereby deleted in its entirety without replacement.

(r) **Amendment to Exhibit C (Compliance Certificate).** Exhibit C of the Credit Agreement is hereby amended and restated with the form Exhibit C attached hereto as Schedule 1.

3. Limited Consent – Pledge to Support Mexican Tax Assessment (2013).

(a) Borrower has informed Administrative Agent and Lenders that to support surety bonds or other requirements regarding the Mexican Tax Assessment (2013) it intends to (i) pledge certain fixed Mexican assets of Calavo Mexico and (ii) (x) pledge cash, (y) letters of credit issued under the Credit Agreement, or (z) provide an intercompany loan to or an investment in Calavo Mexico so that Calavo Mexico can pledge cash to satisfy the Mexican Tax Assessment (2013); provided that, the aggregate amount under this clause (ii) shall not exceed \$13,000,000 (“Requested Pledge/Transfer”). As the Requested Pledge/Transfer is not permitted under Section 7.01 or Section 7.03 of the Credit Agreement, Borrower has requested that Administrative Agent and Lenders provide their written consent thereto.

(b) Administrative Agent and Lenders hereby consent to the Requested Pledge/Transfer so long as (i) at the time of the making of the Requested Pledge/Transfer, no Default exists or will exist as a result thereof, (ii) the Requested Pledge/Transfer does not occur before June 1, 2022, and (iii) the Requested Pledge/Transfer occurs no later than April 30, 2023.

(c) The foregoing consent is a one-time consent and applies only to the specified circumstances and does not modify or otherwise affect the Loan Parties’ obligations to comply with such applicable provisions of the Credit Agreement or any other provision of the Credit Agreement or any other Loan Document in any other instance. The agreements and consent set forth in this Section 3 are limited to the extent specifically set forth above and no other terms, covenants or provisions of the Loan Documents are intended to be affected hereby.

4. Limited Waiver – Specified Events of Default. Subject to the terms and conditions set forth herein, the Administrative Agent and Lenders hereby waives the Specified Events of Default. The foregoing waiver is a one-time waiver and applies only to the specified circumstance and does not modify or otherwise affect the Borrower’s obligations to comply with such provision of the Credit Agreement or any other provision of the Credit Agreement in any other instance. By virtue of the waiver in the immediately preceding sentence, the Borrower hereby affirms and agrees that no other Event of Default has occurred as a result of the Specified Events of Default. The agreements and consents set forth in this Section 4 are limited to the extent specifically set forth above and no other terms, covenants or provisions of the Loan Documents are intended to be affected hereby.

5. Conditions Precedent. This Amendment and the obligations of Administrative Agent and the Lenders hereunder will be effective only upon satisfaction of each of the following conditions precedent, each in a manner in form and substance acceptable to Administrative Agent in its sole discretion:

(a) Executed Amendments. Receipt by Administrative Agent of a fully-executed copy of this Amendment.

(b) No Default. After giving effect to this Amendment, no Default or Event of Default shall exist.

(c) Legal Fees. The Borrower shall have paid all reasonable and documented out of pocket legal fees and expenses owed to counsel for Administrative Agent.

(d) Amendment Fee and Expenses. The Borrower shall have paid to Administrative Agent an amendment fee equal to 12.5 basis points of the Revolving Facility (for the pro-rata benefit of the Lenders) plus all reasonable and out-of-pocket costs and expenses owed to and/or incurred by the Administrative Agent arising in connection with this Amendment;

(e) Incumbency Certificate. Administrative Agent shall have received a duly executed omnibus Incumbency Certificate for the Loan Parties.

(f) Borrowing Base Certificate. The Borrower has delivered a monthly Borrowing Base Certificate to Administrative Agent for the period ending on January 31, 2022, which is duly certified by the chief executive officer, chief financial officer, treasurer or controller of the Borrower.

(g) Compliance Certificate. The Borrower has delivered a Compliance Certificate to Administrative Agent for the period ending on February 28, 2022 which is duly certified by the chief executive officer, chief financial officer, treasurer or controller of the Borrower.

(h) Other Agreements. The Administrative Agent shall have received such other documents, certificates and information that the Administrative Agent shall require each in form and substance satisfactory to the Administrative Agent.

6. Reaffirmation of Representations and Warranties. Each Loan Party represents and warrants that after giving effect to this Amendment, the representations and warranties made by each obligor set forth in the Loan Documents are true and correct in all material respects as of the date hereof (except those that expressly relate to an earlier period).

7. Reaffirmation of Obligations. Each Loan Party (a) acknowledges and consents to all of the terms and conditions of this Amendment, (b) affirms all of its obligations under the Loan Documents and (c) agrees that this Amendment and all documents executed in connection herewith do not operate to reduce or discharge such Loan Party's obligations under the Loan Documents.

8. Acknowledgment by Loan Parties. Each Loan Party hereby represents and warrants that the execution and delivery of this Amendment and compliance by each Loan Party with all of the provisions of this Amendment: (a) are within the powers and purposes of each Loan Party; (b) have been duly authorized or approved by the board of directors or managers of each Loan Party; and (c) when executed and delivered by or on behalf of each Loan Party, will constitute valid and binding obligations of each Loan Party, enforceable in accordance with their terms, except as enforceability may be limited by Debtor Relief Laws and Laws affecting the rights of creditors generally and by general equitable principles. Each Loan Party reaffirms its obligation to pay all amounts due to Lender under the Loan Documents in accordance with the terms thereof, as modified hereby.

9. General Release. Each Loan Party (collectively, the "Releasing Parties") releases, acquits and forever discharges Administrative Agent and each Lender, and each of their respective past and present directors, officers, employees, agents, attorneys, affiliates, predecessors, successors, administrators and assigns ("Released Parties") of and from any and all claims, actions, causes of action, demands, rights, damages, costs, loss of service, expenses and compensation whatsoever heretofore or hereafter arising from any events or occurrences, or anything done, omitted to be done, or allowed to be done by any of the Released Parties, on or before the date of execution of this Amendment, WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, including, without limitation, any of the same arising from or related to anything done, omitted to be done, or allowed to be done by any of the Released Parties and

in any way connected with this Amendment or any of the Loan Documents, any other credit facilities provided or not provided, any advances made or not made, or any past or present deposit or other accounts (including, without limitation, “dominion of funds” accounts and lockbox arrangements) of any Releasing Party with any Lender and the handling of the same by any Lender, including, without limitation, the manner and timing in which items were deposited or credited thereto or funds transferred therefrom or made available to any of the Releasing Parties, the honoring or returning of any checks drawn on any account, and any other dealings between the Releasing Parties and the Released Parties (the “Released Matters”); provided, however, that (A) Releasing Parties shall retain their rights to funds in deposit accounts held with any Lender, as applicable, funds in transit for deposit into any such account and any refunds to which such Releasing Party is entitled to, subject to in each case any applicable security interests of Administrative Agent or any Lender therein, and any right of offset or recoupment with respect thereto, and (B) Released Matters shall not include Administrative Agent and the Lenders’ obligations under the Loan Documents or any other contracts or agreements between Administrative Agent and/or any Lender, on one hand, and Releasing Parties from and after the effectiveness of this Amendment. Releasing Parties each further agree never to commence, aid or participate in (except to the extent required by order or legal process issued by a court or governmental agency of competent jurisdiction) any legal action or other proceeding based in whole or in part upon the Released Matters. Releasing Parties each agree that this waiver and release is an essential and material component of this Amendment, and that the agreements in this paragraph are intended to be in full satisfaction of any alleged injuries or damages to or of any Releasing Parties in connection with the Released Matters. Each Releasing Party represents and warrants that it has not purported to convey, transfer or assign any right, title or interest in any Released Matter to any other person or entity and that the foregoing constitutes a full and complete release of the Released Matters. Releasing Parties each also understand that this release shall apply to all unknown or unanticipated results of the transactions and occurrences described above, as well as those known and anticipated. Releasing Parties each have consulted with legal counsel prior to signing this release, or had an opportunity to obtain such counsel and knowingly chose not to do so, and each Releasing Party executes such release voluntarily, with the intention of fully and finally extinguishing all Released Matters. In furtherance of this general release, Releasing Parties each acknowledge and waive the benefits of California Civil Code Section 1542 (and all similar ordinances and statutory, regulatory, or judicially created laws or rules of any other jurisdiction), which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

Releasing Parties each have consulted with legal counsel prior to signing this release, or had an opportunity to obtain such counsel and knowingly chose not to do so, and each Releasing Party executes such release voluntarily, with the intention of fully and finally extinguishing all Released Matters.

10. No Other Changes. Except as modified hereby, all of the terms and provisions of the Loan Documents shall remain in full force and effect.

11. Counterparts; Electronic Delivery. This Amendment may be executed in one or more counterparts, each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same instrument. Delivery of an executed counterpart of this Amendment may be in the form of an Electronic Record, telefacsimile or other electronic method of transmission and may be executed using Electronic Signature (including, without limitation, facsimile and .pdf) and shall be equally as effective, valid and enforceable as delivery of an original executed counterpart

of this Amendment. Any party delivering an executed counterpart of this Amendment by telefacsimile or other electronic method of transmission also shall deliver an original executed counterpart of this Amendment but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Amendment. For the avoidance of doubt, the authorization under this paragraph may include, without limitation, use or acceptance by the Administrative Agent and Lenders of a manually signed paper which has been converted into electronic form (such as scanned into PDF format), or an electronically signed document converted into another format, for transmission, delivery and/or retention. For purposes hereof, "Electronic Record" and "Electronic Signature" shall have the meanings assigned to them, respectively, by 15 USC § 7006, as it may be amended from time to time.

12. Governing Law. This Amendment shall be deemed to be a contract made under, and for all purposes shall be construed in accordance with, the laws of the State of California (without regards to principles of conflict of laws which would defer to the laws of another jurisdiction as governing).

13. Jury Trial Waiver; California Judicial Reference. To the fullest extent permitted by applicable law, each of the parties hereto waives its right to trial by jury in any proceeding or dispute of any kind relating to this Amendment or the other Loan Documents, Obligations or Collateral. Without limiting the applicability of any other section of this Amendment, Section 11.16 and Section 11.17 of the Credit Agreement are hereby incorporated by this reference and shall apply to any action, proceeding, claim or controversy arising out of this Amendment.

14. Total Agreement. This Amendment, the Credit Agreement, and all other Loan Documents embody the entire understanding of the parties with respect to the subject matter thereof and supersede all prior understandings regarding the same subject matter.

15. Loan Document. This Amendment along with any document and certificate executed in connection herein, including but not limited to the security and pledge agreements and certificates referenced in Section 6 herein shall constitute a Loan Document under the Credit Agreement. Any provision of any Loan Document which applies to Loan Documents generally shall apply to this Amendment. It shall be an Event of Default under the Credit Agreement if any Loan Party breaches any covenant contained herein (subject to any applicable cure period set forth in the Credit Agreement) or if any representation or warranty contained herein proves to be inaccurate or untrue in any material respect.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Amendment to be duly executed and delivered as of the date first above written.

BORROWER: _____

CALAVO GROWERS, INC.,
a California corporation

By: _____
Name: _____
Title: _____

GUARANTORS: _____

RENAISSANCE FOOD GROUP, LLC,
a Delaware limited liability company

By: _____
Name: _____
Title: _____

CALAVO DE MEXICO, S.A. DE C.V.,
a sociedad anónima de capital variable organized under
the laws of Mexico

By: _____
Name: _____
Title: _____

[Signature Pages Continue]

SIXTH AMENDMENT, LIMITED WAIVER AND LIMITED CONSENT TO CREDIT AGREEMENT
(CALAVO)
SIGNATURE PAGE

ADMINISTRATIVE AGENT: _____

BANK OF AMERICA, N.A.,
as Administrative Agent

By: _____
Name: _____
Title: _____

SIXTH AMENDMENT, LIMITED WAIVER AND LIMITED CONSENT TO CREDIT AGREEMENT
(CALAVO)
SIGNATURE PAGE

LENDERS: _____

BANK OF AMERICA, N.A., as Lender, Non-Patronage Lender, L/C Issuer and Swingline Lender

By: _____
Name: _____
Title: _____

SIXTH AMENDMENT, LIMITED WAIVER AND LIMITED CONSENT TO CREDIT AGREEMENT
(CALAVO)
SIGNATURE PAGE

FARM CREDIT WEST, PCA
as a Lender and Patronage Lender

By: _____
Name: _____
Title: _____

SIXTH AMENDMENT, LIMITED WAIVER AND LIMITED CONSENT TO CREDIT AGREEMENT
(CALAVO)
SIGNATURE PAGE

GUARANTOR ACKNOWLEDGMENT AND CONSENT

Guarantor hereby expressly: (a) consents to the execution by Borrower, Administrative Agent and Lenders of this Amendment; (b) acknowledges that the "Guaranteed Obligations" (as defined in the Credit Agreement) includes all of the obligations and liabilities owing from time to time by the Borrower under and/or in connection with the "Loan Documents" including, but not limited to, the obligations and liabilities of Borrower to Lenders under and pursuant to the Credit Agreement, as amended from time to time; (c) acknowledges that the Guarantor does not have any set-off, defense, or counterclaim to the payment or performance of any of the obligations of Borrower under the Credit Agreement or the Guarantor under the Guaranty (as defined in the Credit Agreement); (d) reaffirms, assumes, and binds itself in all respects to all of the obligations, liabilities, duties, covenants, terms, and conditions that are contained in the Guaranty; and (e) agrees that all such obligations and liabilities under the Guaranty shall continue in full force and that the execution and delivery of this Amendment to, and its acceptance by, Administrative Agent shall not in any manner whatsoever (i) impair or affect the liability of the Guarantor, (i) prejudice, waive, or be construed to impair, affect, prejudice, or waive the rights and abilities of Administrative Agent at law, in equity or by statute, against the Guarantor, and/or (ii) release or discharge, nor be construed to release or discharge, any of the obligations and liabilities owing to Administrative Agent or any Lender by the Guarantor.

AGREED TO AND ACCEPTED BY:

GUARANTOR:

RENAISSANCE FOOD GROUP, LLC,
a Delaware limited liability company

By: _____

Name:

Title:

GUARANTOR:

CALAVO DE MEXICO, S.A. DE C.V., a
sociedad anónima de capital variable organized
under the laws of Mexico

By: _____

Name:

Title:

GUARANTOR ACKNOWLEDGMENT AND CONSENT TO
SIXTH AMENDMENT LIMITED WAIVER AND LIMITED CONSENT
TO CREDIT AGREEMENT
(CALAVO)
SIGNATURE PAGE

EXHIBIT A

Schedule 1.01(b) to Credit Agreement

Initial Commitments and Applicable Percentages as of Sixth Amendment Effectiveness Date

Lender	Revolving Commitment	Applicable Percentage (Revolving Loans)
Bank of America, N.A.	\$40,000,000	50%
Farm Credit West	\$40,000,000	50%
Total:	\$80,000,000	100%

EXHIBIT B

Schedule 6.14 to Credit Agreement

Business Locations

1. The Borrower currently has the following U.S. business locations:

Chief Executive Office: 1141-A Cummings Road, Santa Paula, CA 93060

Other Locations:

Address	Operations
655 W. Main Street, Santa Paula, CA 93060	SPPH (own and operate facility)
15765 W. Telegraph Road, Santa Paula, CA 93060	CA VAD (own and operate facility)
1730 Eastridge Ave Riverside CA 92507	GHSC (own and operate facility)
300 Old Tucson Rd., Nogales, AZ 85648	Tomatoes – rented cold storage
500 W. Elmer Road, Vineland, NJ 08360	Co-packer
16-664 Milo Street, Keaau, HI 96749	Office space
11020 White Rock Rd., Ste 100, Rancho Cordova, CA 95670	Office space



EXHIBIT C

Form of
Compliance Certificate

Financial Statement Date: [_____, ____]

TO: Bank of America, N.A., as Administrative Agent

RE: Credit Agreement, dated as of June 14, 2016, by and among Calavo Growers, Inc., a California corporation (the "Borrower"), the Guarantors, the Lenders and Bank of America, N.A., as Administrative Agent, L/C Issuer and Swingline Lender (as amended, modified, extended, restated, replaced, or supplemented from time to time, the "Credit Agreement"; capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Credit Agreement)

DATE: [Date]

The undersigned Responsible Officer¹ hereby certifies as of the date hereof that [he/she] is the [_____] of the Borrower, and that, as such, [he/she] is authorized to execute and deliver this Certificate to the Administrative Agent on the behalf of the Borrower and the other Loan Parties, and that:

[Use following paragraph 1 for fiscal year-end financial statements]

1. The Borrower has delivered (i) the year-end audited financial statements required by Section 6.01(a) of the Credit Agreement for the fiscal year of the Borrower ended as of the above date, together with the report and opinion of an independent certified public accountant required by such section and (ii) the Consolidated balance sheets of the Borrower and its Subsidiaries as at the end of such fiscal year and the related Consolidated statements of income or operations, changes in shareholders' equity and cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and prepared in accordance with GAAP.

[Use following paragraph 1 for fiscal [month-end/quarter-end] financial statements]

1. The Borrower has delivered the unaudited financial statements required by Section 6.01(b) of the Credit Agreement for the fiscal [month/quarter] of the Borrower ended as of the above date. Such Consolidated financial statements fairly present the financial condition, results of operations, changes in shareholders' equity and cash flows of the Borrower and its Subsidiaries in accordance with GAAP as at such date and for such period, subject only to normal year-end audit adjustments and the absence of footnotes and such Consolidated financial statements are fairly stated in all material respects when considered in relation to the Consolidated financial statements of the Borrower and its Subsidiaries.

2. The undersigned has reviewed and is familiar with the terms of the Credit Agreement and has made, or has caused to be made under [his/her] supervision, a review of the transactions and condition

- ¹ This certificate should be from the chief executive officer, president, chief financial officer, treasurer, assistant treasurer or controller of the Borrower or Parent, as applicable.
-

(financial or otherwise) of the Borrower and its Subsidiaries during the accounting period covered by such financial statements.

3. A review of the activities of the Borrower and its Subsidiaries during such fiscal period has been made under the supervision of the undersigned with a view to determining whether during such fiscal period the Borrower and each of the other Loan Parties performed and observed all its obligations under the Loan Documents, and

[select one:]

[to the best knowledge of the undersigned, during such fiscal period each of the Loan Parties performed and observed each covenant and condition of the Loan Documents applicable to it, and no Default has occurred and is continuing.]

--or--

[to the best knowledge of the undersigned, the following covenants or conditions have not been performed or observed and the following is a list of each such Default and its nature and status:]

4. The representations and warranties of the Borrower and each other Loan Party contained in Article V of the Credit Agreement or any other Loan Document, or which are contained in any document furnished at any time under or in connection therewith are true and correct in all material respects on and as of the date hereof, and except that for purposes of this Compliance Certificate, the representations and warranties contained in subsections (a) and (b) of Section 5.05 of the Credit Agreement shall be deemed to refer to the most recent statements furnished pursuant to clauses (a) and (b), respectively, of Section 6.01 of the Credit Agreement, including the statements in connection with which this Compliance Certificate is delivered.

5. The financial covenant analyses and information set forth on Schedule A attached hereto are true and accurate on and as of the date of this Certificate.

Delivery of an executed counterpart of a signature page of this Certificate by fax transmission or other electronic mail transmission (e.g. "pdf" or "tif") shall be effective as delivery of a manually executed counterpart of this Certificate.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

CALAVO GROWERS, INC.,
a California corporation

By: _____
Name: _____
Title: _____



Schedule A

Financial Statement Date: [_____, ____] (“Statement Date”)

**I. Consolidated Fixed Charge Coverage Ratio
(\$ in 000’s)**

- A. Consolidated EBITDA of the Borrower and its Subsidiaries for the applicable period (or if after September 30, 2022, the Measurement Period) ending on above date (“Subject Period”):
1. Consolidated Net Income for Subject Period: \$ _____
 2. Consolidated Interest Charges for Subject Period: \$ _____
 3. provision for federal, state, local and foreign income taxes for Subject Period: \$ _____
 4. depreciation and amortization expenses for Subject Period: \$ _____
 5. non-cash non-recurring charges and losses (excluding any such non-cash charges or losses to the extent (A) there were cash charges with respect to such charges and losses in past accounting periods or (B) there is a reasonable expectation that there will be cash charges with respect to such charges and losses in future accounting periods) for Subject Period: \$ _____
 6. non-cash stock-based compensation expense for Subject Period: \$ _____
 7. non-recurring or unusual expenses, losses, write-offs or charges for Subject Period; provided that the aggregate amount thereof at no time shall exceed ten percent (10%) of the Consolidated EBITDA (before giving effect to such expenses, losses, write-offs or charges) during any Subject Period, or such other amount as agreed to by the Administrative Agent in writing \$ _____
 8. non-cash non-recurring gains (excluding any such non-cash gains to the extent (A) there were cash gains with respect to such gains in past accounting periods or (B) there is a reasonable expectation that there will be cash gains with respect to such gains in future accounting periods) for Subject Period: \$ _____
 9. EBITDA (Lines I.A.1 + 2 + 3 + 4 + 5 + 6 + 7 - 8): \$ _____
- B. maintenance Consolidated Capital Expenditures for Subject Period; provided for the purposes of calculating the Consolidated Fixed Charge Coverage Ratio for the measurement dates occurring between February 1, 2022 and September 30, 2022, Consolidated Capital Expenditures shall be deemed to be \$500,000 for each month occurring during such period: \$ _____
- C. Fixed Charges for Subject Period:
1. Consolidated Interest Charges to the extent paid in cash during the Subject Period: \$ _____
 2. the aggregate principal amount of all redemptions or similar acquisitions for value of outstanding debt or regularly scheduled principal payments on debt for borrowed money or Capitalized Leases, but excluding (x) any such payments to the extent refinanced through the incurrence of additional Indebtedness otherwise expressly permitted under Section 7.02 of the Credit Agreement and (y) any redemption payments by or on behalf of Calavo Mexico with respect to the Calavo Mexico Letter of Credit, each made during the Subject Period: \$ _____
 3. the aggregate amount of all Restricted Payments paid in cash during the Subject Period; provided, that for the purposes of calculating the Consolidated Fixed Charge Coverage Ratio for the measurement dates occurring between February 1, 2022 and September 30, 2022, the dividend made by Borrower in December 2021 in the amount of \$20,343,000 shall be deemed made in each month occurring during such period in an amount equal to 1/12th of such dividend: \$ _____
 4. the aggregate amount of federal, state, local and foreign income Taxes paid in cash, in each case, of or by the Borrower and its Subsidiaries during the Subject Period (excluding, to the extent included in such calculation for the fiscal year ended October 31, 2021, (x) the Mexican Tax Assessment (2011),

which shall be excluded commencing July 31, 2021 and (y) the Mexican Tax Assessment (2013)):

5. Fixed Charges (Lines I.C.1 + 2 + 3 + 4): \$ _____

D. Fixed Charge Coverage Ratio ((Line I.A.9 – Line I.B) ÷ (Line I.C.5)) _____ to 1.00

Minimum Permitted 1.20 to 1.00

II. Consolidated Leverage Ratio.
(\$ in 000's)

A.	Consolidated Funded Indebtedness at Statement Date (excluding Indebtedness under the Calavo Mexico Letter of Credit, to the extent such letter of credit is fully secured by cash):	\$ _____
B.	Consolidated EBITDA of the Borrower and its Subsidiaries for Measurement Period (or other applicable period) ending on above date (" <u>Subject Period</u> "):	
1.	Consolidated Net Income for Subject Period:	\$ _____
2.	Consolidated Interest Charges for Subject Period:	\$ _____
3.	provision for federal, state, local and foreign income taxes for Subject Period:	\$ _____
4.	depreciation and amortization expenses for Subject Period:	\$ _____
5.	non-cash non-recurring charges and losses (excluding any such non-cash charges or losses to the extent (A) there were cash charges with respect to such charges and losses in past accounting periods or (B) there is a reasonable expectation that there will be cash charges with respect to such charges and losses in future accounting periods) for the Subject Period:	\$ _____
6.	non-cash stock-based compensation expense for Subject Period:	\$ _____
7.	non-recurring or unusual expenses, losses, write-offs or charges for Subject Period; <u>provided</u> that the aggregate amount thereof at no time shall exceed ten percent (10%) of the Consolidated EBITDA (before giving effect to such expenses, losses, write-offs or charges) during any Subject Period, or such other amount as agreed to by the Administrative Agent in writing:	\$ _____
8.	non-cash non-recurring gains (excluding any such non-cash gains to the extent (A) there were cash gains with respect to such gains in past accounting periods or (B) there is a reasonable expectation that there will be cash gains with respect to such gains in future accounting periods) for Subject Period:	\$ _____
9.	Consolidated EBITDA (Lines II.A.1 + 2 + 3 + 4 + 5 + 6 + 7 - 8):	\$ _____
C.	Consolidated Leverage Ratio (Line II.A ÷ Line II.B.9):	_____ to 1.0
	<i>Maximum permitted:</i>	<i>2.5:1.0</i>

III. Minimum Consolidated EBITDA. As of [_____], 20__, the minimum Consolidated EBITDA was \$[_____], calculated as set forth below. The minimum Consolidated EBITDA permitted under Section 7.11(c) of the Credit Agreement as of such date is [\$_____].

Consolidated EBITDA

(1) Consolidated Net Income for the most recently completed Measurement Period:	\$ _____
(2) Consolidated Interest Charges for the most recently completed Measurement Period:	\$ _____
(3) provision for federal, state, local and foreign income taxes for the most recently completed Measurement Period:	\$ _____
(4) depreciation and amortization expense for the most recently completed Measurement Period:	\$ _____
(5) non-cash non-recurring charges and losses (excluding any such non-cash charges or losses to the extent (A) there were cash charges with respect to such charges and losses in past accounting periods or (B) there is a reasonable expectation that there will be cash charges with respect to such charges and losses in future accounting periods) for the most recently completed Measurement Period:	\$ _____
(6) non-cash stock-based compensation expense for the most recently completed Measurement Period:	\$ _____
(7) non-recurring or unusual expenses, losses, write-offs or charges; provided that the aggregate amount thereof at no time shall exceed ten percent (10%) of the Consolidated EBITDA (before giving effect to such expenses, losses, write-offs or charges) during any Measurement Period, or such other amount as agreed to by the Administrative Agent in writing, for the most recently completed Measurement Period:	\$ _____
(8) Sum of Items (1) through Item A(7)	\$ _____
(9) without duplication and to the extent reflected as a gain or otherwise included in the calculation of Consolidated Net Income for such period (i) non-cash non-recurring gains (excluding any such non-cash gains to the extent (A) there were cash gains with respect to such gains in past accounting periods or (B) there is a reasonable expectation that there will be cash gains with respect to such gains in future accounting periods), for the most recently completed Measurement Period:	\$ _____
(10) Consolidated EBITDA (Item 8 <i>minus</i> Item 9)	\$ _____



**UNANIMOUS WRITTEN CONSENT
OF
THE BOARD OF DIRECTORS
OF
CALAVO GROWERS, INC.**

May 27, 2022

The undersigned, constituting all the directors of Calavo Growers, Inc., a California corporation (“Calavo”), acting pursuant to authority granted by the California Corporations Code and Calavo’s Amended and Restated Bylaws, hereby take the following actions, approve and adopt the following recitals and resolutions, and transact the following business by written consent without a meeting:

Approval of Indemnification Agreement

WHEREAS, Calavo’s Board of Directors (the “Board”) desires to attract and retain the services of highly competent individuals to serve as directors and officers of Calavo;

WHEREAS, highly competent persons have become more reluctant to serve corporations as directors, officers or in other capacities unless they are provided with adequate protection through insurance or adequate indemnification against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of the corporation; and

WHEREAS, given the difficulty in attracting and retaining such persons, the Board has determined that it is advisable and in the best interests of Calavo and its shareholders to adopt a form of indemnification agreement that Calavo may use to provide indemnification to selected directors and officers that is broader than the indemnification rights the directors and officers have under applicable law.

RESOLVED, that the form of Indemnification Agreement attached hereto as Exhibit A (the “Indemnification Agreement”) is adopted and approved; and

RESOLVED, that Calavo shall enter into an Indemnification Agreement with each of its directors and such executive officers as determined by Calavo in substantially the form attached hereto, together with any changes to each such agreement determined by the proper officers of Calavo to comply with applicable law, and that such determination shall be conclusively evidenced by such officer’s execution and delivery of a definitive Indemnification Agreement.

General Authorizing Resolutions

RESOLVED, that the officers of Calavo be, and each of them hereby is, authorized and directed, for and on behalf of Calavo, to take such further actions and execute such documents as may be necessary or appropriate in order to implement the foregoing resolutions; and

RESOLVED, that all actions heretofore taken by the officers of Calavo in connection with the subject matter of the foregoing resolutions are hereby ratified, approved and confirmed in all respects.

This written consent shall be filed with the minutes of the Board’s proceedings. This written consent may be executed in counterparts, each of which shall be deemed an original document, with the same effect as if the signatures were upon the same instrument. Signatures to this written consent

delivered by electronic or facsimile transmission, including by DocuSign or by e-mail transmission in PDF format, shall be valid.

[signature page follows]

IN WITNESS WHEREOF, the undersigned have executed and delivered this Unanimous Written Consent as of the date set forth above.

/s/ Farha Aslam
Farha Aslam

/s/ Marc L. Brown
Marc L. Brown

/s/ Michael A. DiGregorio
Michael A. DiGregorio

/s/ James Helin
James Helin

/s/ Steven Hollister
Steven Hollister

/s/ Kathleen M. Holmgren
Kathleen M. Holmgren

/s/ John M. Hunt
John M. Hunt

/s/ J. Link Leavens
J. Link Leavens

/s/ Donald M. Sanders
Donald M. Sanders

/s/ Adriana Mendizabal
Adriana Mendizabal

EXHIBIT A

INDEMNIFICATION AGREEMENT

This Indemnification Agreement (this “Agreement”) is made as of this ____ day of _____, 2022, by and between Calavo Growers, Inc., a California corporation (the “Company”), and _____ (“Indemnitee”).

RECITALS

- A. Indemnitee is a director and/or officer of the Company.
- B. The Company recognizes that the vagaries of public policy and the interpretation of ambiguous statutes, regulations and court opinions are too uncertain to provide the Company’s officers and directors with adequate or reliable advance knowledge or guidance with respect to the legal risks and potential liabilities to which they may become personally exposed as a result of performing their duties in good faith as Agents (as defined below) for the Company Group (as defined below).
- C. The Company recognizes that the cost to a director or officer of defending against lawsuits resulting from the performance of his or her duties in good faith for the Company Group, whether or not meritorious, is likely to be burdensome.
- D. The Company recognizes that the legal risks and potential liabilities, and the very threat thereof, associated with lawsuits filed against the officers and directors of the Company Group, and the resultant substantial time and expense spent and endured in defending against such lawsuits, bears no reasonable or logical relationship to the amount of compensation received by such officers and directors, and thus poses a significant deterrent to and results in increased reluctance on the part of experienced and capable individuals to serve as Agents of the Company Group.
- E. In order to induce and encourage highly experienced and capable persons such as Indemnitee to serve as Agents of the Company Group, secure in the knowledge that certain expenses, costs and liabilities incurred by them in their defense of such litigation will be borne by the Company and that they will receive protection against such risks and liabilities, the Board (as defined below) has determined that entering into this Agreement with Indemnitee is not only reasonable and prudent but necessary to promote and ensure the best interests of the Company and the Company’s shareholders.
- F. The Company and Indemnitee desire that the indemnification rights provided by this Agreement shall be supplemental to, and shall not supersede or replace, any indemnification rights which may be provided by other sources, including without limitation any indemnification which may be provided by the Company pursuant to its Bylaws, by other agreements or by applicable law.
- G. As permitted by Sections 204(a)(11) and 317(g) of the California Corporations Code, Article V(b) of the Company’s Articles of Incorporation states that the Company “is authorized to provide indemnification of its agents (as such term is defined in Section 317 of the California Corporations Code), whether by bylaw, agreement, vote of shareholders or disinterested directors, or otherwise, to the fullest extent permissible under California law.”

AGREEMENT

The Company and Indemnitee hereby agree as follows:

1. **Service by Indemnitee.** Indemnitee agrees to serve and/or to continue to serve as a director and/or officer of the Company; provided, however, that (i) if Indemnitee is a director of the Company, he or she is entitled to resign or retire at any time from such position, and (ii) if Indemnitee is an officer of the Company, he or she is entitled to resign or retire at any time from such position, and the Company is entitled to remove Indemnitee at any time from such position, subject to the terms of any employment agreement that Indemnitee may have entered into with the Company. For the avoidance of doubt, the Company's obligations under this Agreement shall continue notwithstanding that Indemnitee may have ceased for any reason to serve as a director and/or officer of the Company. Furthermore, this Agreement is not an employment agreement between Indemnitee and the Company, and this Agreement does not create any right on the part of Indemnitee to continue to serve as a director or an officer of the Company or in any capacity with any other member of the Company Group.

2. **Definitions.**

The following terms have the meanings set forth below:

“Action” means (i) any action, suit, arbitration, alternative dispute resolution mechanism, formal or informal investigation, inquiry, judicial, administrative, or legislative hearing, or any other threatened, pending, or completed proceeding, whether brought by or in the right of the Company or otherwise, including any and all appeals, whether of a civil, criminal, administrative, legislative, investigative, or other nature, to which Indemnitee was or is a party or is threatened to be made a party or is otherwise involved in by reason of the fact that Indemnitee is or was as an Agent of the Company or while an Agent of the Company is or was serving at the request of the Company as an Agent of another corporation or of a partnership, joint venture, trust, or other enterprise, including service with respect to an employee benefit plan (including as a deemed fiduciary thereto), or by reason of anything done or not done by Indemnitee in any such capacity, whether or not Indemnitee is serving in such capacity at the time any expense, liability, or loss is incurred for which indemnification or advancement can be provided under this Agreement, or (ii) any situation that Indemnitee determines in good faith might lead to or culminate in the institution of any such action, suit, proceeding, arbitration or alternative dispute resolution mechanism.

“Agent” means, with respect to Indemnitee, Indemnitee in his or her capacity as an officer, director, employee, agent or trustee of the Company or any member of the Company Group or in his or her capacity as an officer, director, employee, agent or trustee of any other Entity for which he or she is serving in such capacity or capacities as the request of the Company. For purposes of this Agreement, if Indemnitee provides service as an officer, director, employee, agent or trustee of any Entity controlled by the Company or any employee benefit plan of the Company (including as a deemed fiduciary thereto), then Indemnitee shall be deemed to serve at the request of the Company.

“Board” means the Board of Directors of the Company.

“Change in Control” means the occurrence after the date of this Agreement, in a single transaction or in a series of related transactions, of any one or more of the following events:

i. Any Exchange Act Person becomes the Owner, directly or indirectly, of securities of the Company representing more than 50% of the combined voting power of the Company's then-outstanding securities other than by virtue of a merger, consolidation or similar transaction; notwithstanding the foregoing, a

Change in Control shall not be deemed to occur (A) on account of the acquisition of securities of the Company directly from the Company, (B) on account of the acquisition of securities of the Company by an investor, any affiliate thereof or any other Exchange Act Person that acquires the Company's securities in a transaction or series of related transactions the primary purpose of which is to obtain financing for the Company through the issuance of equity securities, or (C) solely because the level of Ownership held by any Exchange Act Person (the "Subject Person") exceeds the designated percentage threshold of the outstanding voting securities as a result of a repurchase or other acquisition of voting securities by the Company reducing the number of shares outstanding, provided that if a Change in Control would occur (but for the operation of this clause) as a result of the acquisition of voting securities by the Company, and after such share acquisition, the Subject Person becomes the Owner of any additional voting securities that, assuming the repurchase or other acquisition had not occurred, increases the percentage of the then-outstanding voting securities Owned by the Subject Person over the designated percentage threshold, then a Change in Control shall be deemed to occur;

ii. There is consummated a merger, consolidation or similar transaction involving (directly or indirectly) the Company and, immediately after the consummation of such merger, consolidation or similar transaction, the shareholders of the Company immediately prior thereto do not Own, directly or indirectly, either (A) outstanding voting securities representing more than 50% of the combined outstanding voting power of the surviving Entity in such merger, consolidation or similar transaction or (B) more than 50% of the combined outstanding voting power of the parent of the surviving Entity in such merger, consolidation or similar transaction;

iii. There is consummated a sale, lease, exclusive license or other disposition of all or substantially all of the consolidated assets of the Company Group, other than a sale, lease, license or other disposition of all or substantially all of the consolidated assets of the Company Group to an Entity, more than 50% of the combined voting power of the voting securities of which are Owned by shareholders of the Company in substantially the same proportions as their Ownership of the outstanding voting securities of the Company immediately prior to such sale, lease, license or other disposition; or

iv. Individuals who, at the beginning of any twelve-month period following the date of this Agreement, are members of the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the members of the Board on any subsequent date during such twelve-month period; provided, however, that if the appointment or election (or nomination for election) of any new Board member was approved or recommended by a majority vote of the members of the Incumbent Board then still in office, such new member shall, for purposes of this Agreement, be considered as a member of the Incumbent Board.

Notwithstanding the foregoing or any other provision of this Agreement, the term Change in Control shall not include a sale of assets, merger or other transaction effected exclusively for the purpose of changing the domicile of the Company.

"Company Group" means the Company, each subsidiary and parent of the Company, and any successor, resulting or surviving corporation of the Company or any subsidiary or parent of such successor, resulting or surviving corporation.

"Disinterested Director" means a director of the Company who is not and was not a party to the Action in respect of which indemnification is sought by Indemnitee.

“Entity” means any corporation, limited liability company, partnership, joint venture, trust or other enterprise, or employee benefit plan.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“Exchange Act Person” means any natural person, Entity or “group” (within the meaning of Section 13(d) or 14(d) of the Exchange Act), except that “Exchange Act Person” shall not include (i) the Company Group, (ii) any employee benefit plan of the Company Group or any trustee or other fiduciary holding securities under an employee benefit plan of the Company Group, (iii) an underwriter temporarily holding securities pursuant to a registered public offering of such securities, or (iv) an Entity Owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their Ownership of stock of the Company.

“Expenses” means any and all expenses, including, without limitation, attorneys’ and experts’ fees, court costs, transcript costs, travel expenses, duplicating, printing and binding costs, telephone charges, retainers and disbursements and advances thereon, the premium, security for, and other costs relating to any bond (including cost bonds, appraisal bonds, or their equivalents), and all other costs and expenses incurred in connection with investigating, defending, prosecuting, being a witness in or participating in (including on appeal), or preparing to defend or prosecute, be a witness or participate in, any Action, including any appeal regarding such Action and including expenses incurred by Indemnitee in establishing or enforcing a right to indemnification or advances under this Agreement. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments or Fines against Indemnitee.

“Fines” include, in addition to fines, any excise taxes assessed on Indemnitee with respect to an employee benefit plan.

“Independent Counsel” means a law firm, or a member of a law firm, that is experienced in matters of corporate law and neither currently is, nor in the five years prior to its selection or appointment has been, retained to represent (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning Indemnitee under this Agreement or of other indemnitees under similar indemnification agreements) or (ii) any other party to the Action giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term “Independent Counsel” shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee’s rights under this Agreement.

“Own,” “Owned,” “Owner,” “Ownership” means that a person or Entity owns, owned, is the owner of or has acquired ownership of securities, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise and has or shares voting power, which includes the power to vote or to direct the voting, with respect to such securities.

For purposes of this Agreement, if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan, Indemnitee shall be deemed to have acted in a manner “in the best interests of the Company” as referred to in this Agreement.

3. Indemnification.

3.1 Third Party Proceedings. To the fullest extent permitted by applicable law but subject to the indemnification limitations set forth in this Agreement, the Company shall indemnify Indemnitee if Indemnitee is or was a party or is threatened to be made a party to any Action (other than an Action by or in the right of the Company to procure a judgment in its favor) by reason of the fact that Indemnitee is or was an Agent against all Expenses, judgments, Fines, amounts paid in settlement and other amounts actually and reasonably incurred by Indemnitee in

connection with such Action unless the Company shall establish, in accordance with the procedures described in Sections 4 and 5 of this Agreement, that Indemnitee did not act in

good faith and in a manner Indemnitee reasonably believed to be in the best interests of the Company and, with respect to any criminal Action, had no reasonable cause to believe Indemnitee's conduct was unlawful.

3.2 Proceedings by or in the Right of the Company. To the fullest extent permitted by applicable law but subject to the indemnification limitations set forth in this Agreement, the Company shall indemnify Indemnitee if Indemnitee is or was a party or is threatened to be made a party to any Action by or in the right of the Company to procure a judgment in its favor by reason of the fact that Indemnitee is or was an Agent against all Expenses, judgments, Fines, amounts paid in settlement and other amounts actually and reasonably incurred by Indemnitee in connection with such Action unless the Company shall establish, in accordance with the procedures described in Sections 4 and 5 of this Agreement, that Indemnitee did not act in good faith and in a manner Indemnitee reasonably believed to be in the best interests of the Company and its shareholders; provided, however, that if and to the extent that the approval or determination by a court is required pursuant to applicable law in order for indemnification to be provided in the circumstances described in clause (i), (ii) and/or (iii) of this sentence, no indemnification shall be made by the Company (i) in respect of any claim, issue or matter as to which Indemnitee shall have been adjudged to be liable to the Company in the performance of Indemnitee's duty to the Company and its shareholders unless and only to the extent that the court in which such Action is or was pending shall determine upon application that, in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnification for such Expenses as the court deems proper, (ii) of amounts paid in settling or otherwise disposing of a pending Action without court approval, and (iii) of Expenses incurred in defending a pending Action which is settled or otherwise disposed of without court approval.

3.3 Mandatory Payment of Expenses. To the extent that Indemnitee has been successful on the merits or otherwise, in whole or in part, in defense of any Action referred to in Section 3.1 or 3.2, or in defense of any claim, issue or matter therein, or if it is ultimately determined, by final judicial decision of a court of competent jurisdiction from which there is no further right to appeal, that Indemnitee is otherwise entitled to be indemnified against Expenses, Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by Indemnitee in connection therewith. For these purposes and without limitation, Indemnitee will be deemed to have been "successful on the merits" in circumstances including but not limited to the termination of any Action or of any claim, issue or matter therein, by the winning of a dismissal (with or without prejudice), motion for summary judgment, settlement (with or without court approval), or upon a plea of nolo contendere or its equivalent.

3.4 Approval of Settlements. Notwithstanding any other provision of this Agreement, the Company shall not be obligated to indemnify Indemnitee for any amounts paid in a settlement entered into by Indemnitee with respect to any Action unless the Company approves in writing such settlement or the Company unreasonably withholds such written approval following not less than ten (10) calendar days prior written notice of the proposed settlement.

4. **Expenses; Indemnification Procedure.**

4.1 Advancement of Expenses. The Company shall advance all Expenses actually and reasonably incurred by Indemnitee in connection with any Action referenced in Section 3.1 or 3.2 and in connection with any Action (including an Action under Section 5.1) initiated by Indemnitee to establish or enforce Indemnitee's right to indemnification or advances under this Agreement. The advances to be made hereunder shall be paid by the Company to

Indemnitee within thirty (30) calendar days following delivery of a written request therefor by Indemnitee to the Company. Such request shall reasonably evidence the Expenses incurred by Indemnitee, provided, however, that Indemnitee shall not be required to provide any documentation or information to the extent that the provision thereof would undermine or otherwise jeopardize attorney-client privilege. Advances shall include any and all reasonable Expenses incurred pursuing an Action to enforce this

right of advancement. Advances shall include Expenses actually and reasonably incurred by Indemnitee in preparing and forwarding statements to the Company to support the advances claimed. Advances shall be unsecured and interest free. Advances shall be made without regard to Indemnitee's ultimate entitlement to indemnification under the other provisions of this Agreement or otherwise, ability to repay the expenses, or entitlement to and availability of insurance coverage, including advancement, payment or reimbursement of defense costs, expenses or covered loss under the provisions of any applicable insurance policy (including, without limitation, whether such advancement, payment or reimbursement is withheld, conditioned or delayed by the insurer(s)). The right to advances under this paragraph shall in all events continue until final disposition of any Action, including any appeal therein. Indemnitee shall qualify for advances upon the execution and delivery to the Company of this Agreement, which shall constitute an undertaking providing that Indemnitee undertakes to the fullest extent permitted by law to repay the advances (without interest) if and to the extent that it is ultimately determined by a court of competent jurisdiction in a final judgment, not subject to further appeal, that Indemnitee is not entitled to be indemnified by the Company. No other form of undertaking shall be required other than the execution of this Agreement. The Company shall not seek from a court, or agree to, a "bar order" which would have the effect of prohibiting or limiting Indemnitee's rights to receive advancement of Expenses under this Agreement.

4.2 Notice to Company by Indemnitee. Indemnitee agrees to notify promptly the Company in writing of any claim made against Indemnitee for which indemnification will or could be sought under this Agreement; provided, however, that a delay in giving such notice will not deprive Indemnitee of any right to be indemnified under this Agreement unless, and then only to the extent that, the Company did not otherwise learn of the Action and such delay is materially prejudicial to the Company's ability to defend such Action; and, provided, further, that notice will be deemed to have been given without any action on the part of Indemnitee in the event the Company is a party to the same Action. The omission to notify the Company will not relieve the Company from any liability for indemnification which it may have to Indemnitee otherwise than under this Agreement. Notice to the Company pursuant to this Section 4.2, shall be directed to the Chief Executive Officer of the Company at the executive offices of the Company (unless Indemnitee is the Chief Executive Officer, in which case the notice shall be addressed to the Board and to the Chief Financial Officer of the Company). In addition, Indemnitee shall give the Company such information and cooperation as it may reasonably require and as shall be within Indemnitee's power, but in no case shall Indemnitee be required to convey any information that would cause Indemnitee to waive any privilege accorded by applicable law.

4.3 Determination of Entitlement.

i. Where there has been a written notice by Indemnitee for indemnification pursuant to Section 4.2, then as soon as is reasonably practicable (but in any event not later than sixty (60) calendar days) after final disposition of the relevant Action, the Company shall make a determination by any of the methods set forth in Section 317(e) of the California Corporations Code, if and in the manner required by applicable law, with respect to Indemnitee's entitlement thereto; provided, however, that, if a quorum of Disinterested Directors is not obtainable or a Change in Control shall have occurred, the determination shall be made by an Independent Counsel selected pursuant to Section 4.3(ii), with such determination to be made in a written opinion of such Independent Counsel delivered to the Board and Indemnitee within sixty (60) calendar days after such Independent Counsel is appointed. If it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten (10) calendar days after such

determination. If the person, persons or entity making such determination shall determine that Indemnitee is entitled to indemnification as to part (but not all) of the application for indemnification, such person shall reasonably prorate such partial indemnification among the claims, issues, or matters at issue at the time of the determination. Indemnitee shall reasonably cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any

documentation or information that is not privileged or otherwise protected from disclosure and that is reasonably available to Indemnitee and reasonably necessary to such determination. All Expenses (including attorneys' fees and disbursements) actually and reasonably incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification).

ii. If, prior to the occurrence of a Change in Control, entitlement to indemnification is to be determined by an Independent Counsel because a quorum of Disinterested Directors is not obtainable pursuant to Section 4.3(i), such Independent Counsel shall be selected by the Board. If entitlement to indemnification is to be determined by an Independent Counsel after the occurrence of a Change in Control pursuant to Section 4.3(i), such Independent Counsel shall be selected by Indemnitee.

iii. The party selecting an Independent Counsel pursuant to Section 4.3(ii) shall give written notice to the other party advising it of the identity of the Independent Counsel so selected. Within ten (10) calendar days after such written notice of selection shall have been received, the notified party may deliver to the selecting party a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 2 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as the Independent Counsel. If such written objection is so made and substantiated, the Independent Counsel so selected may not serve as the Independent Counsel unless and until such objection is withdrawn or a court of competent jurisdiction has determined that such objection is without merit. If, within twenty (20) calendar days after the final disposition of the Action, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnitee may petition a court of competent jurisdiction for resolution of any objection which shall have been made by the Company or Indemnitee to the other party's selection of the Independent Counsel and/or for the appointment as the Independent Counsel of a person selected by the court or by such other person as the court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as the Independent Counsel under Section 4.3(i) hereof. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 5.1 of this Agreement, the Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

iv. The Company agrees to pay the reasonable fees and expenses of any Independent Counsel serving under this Agreement.

4.4 Presumptions and Burdens of Proof.

i. In making any determination with respect to Indemnitee's entitlement to indemnification and advances of Expenses under this Agreement, the person, persons or entity making such determination shall, to the fullest extent not prohibited by law, presume that Indemnitee is entitled to indemnification and advances of Expenses under this Agreement and has satisfied all requirements under this Agreement with respect to indemnification and advances of Expenses. The Company shall have, to the fullest extent not prohibited by law, the burden of proof to overcome the presumption described in the preceding sentence in connection with the making of any determination contrary to such presumption. Neither the failure of the person, persons or entity

to have made a determination prior to the commencement of an Action pursuant to this Agreement that indemnification or advancement of Expenses is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the person, persons or entity that Indemnitee has not met such applicable standard of conduct shall be a defense to the Action or create a presumption that Indemnitee has not met the applicable standard of conduct. Furthermore, any ambiguity in the terms of this Agreement shall be resolved in favor of Indemnitee.

ii. The termination of any Action or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner that he or she reasonably believed to be in or not opposed to the best interests of the Company or its shareholders or, with respect to any criminal Action, that Indemnitee had reasonable cause to believe that Indemnitee's conduct was unlawful. Additionally, any admission of liability by the Company in connection with any settlement by the Company with a regulatory agency shall not, of itself, create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law or otherwise.

iii. For purposes of any determination of good faith, Indemnitee shall be presumed to have acted in good faith if Indemnitee's action is in reliance on the records or books of account of the Company Group, including financial statements, or on information supplied to Indemnitee by the officers of the Company Group in the course of their duties, or on the advice of legal counsel for the Company Group or on information or records given or opinions or reports made to the Company Group or the Board by an independent certified public accountant and/or by an appraiser, financial advisor, compensation consultant or other expert selected by the Company Group or the Board. The provisions of this Section 4.4(iii) shall not be deemed to be exclusive or to limit in any way the other circumstances in which Indemnitee may be deemed or found to have met the applicable standard of conduct set forth in this Agreement. Whether or not the foregoing provisions of this Section 4.4(iii) are satisfied, it shall in any event be presumed that Indemnitee has at all times acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company and its shareholders.

4.5 Relationship to Other Sources. Indemnitee shall not be required to exercise any rights against any other parties (for example, under any insurance policy purchased by the Company, Indemnitee or any other person or entity) before Indemnitee enforces this Agreement. However, to the extent the Company actually indemnifies Indemnitee or advances Expenses, the Company shall be entitled to enforce any such rights that Indemnitee may have against third parties. Indemnitee shall assist the Company in enforcing those rights if the Company pays Indemnitee's actual and reasonable Expenses of doing so.

4.6 Defense of Claims. The Company shall not settle any Action or claim (in whole or in part) that would impose any Expense, judgment, Fine, penalty, limitation or disclosure obligation with respect to Indemnitee, or that would directly or indirectly constitute or impose any admission or acknowledgment of fault or culpability with respect to Indemnitee, without Indemnitee's prior written consent; provided, however, that, with respect to settlements requiring solely the payment of money either by the Company or by Indemnitee for which the Company is obligated to reimburse Indemnitee promptly and completely, in either case without recourse to Indemnitee, no such consent of Indemnitee shall be required. Indemnitee shall not settle any Action or claim (in whole or in part) that would impose any Expense, judgment, Fine, penalty or limitation on the Company without the Company's prior written consent, such consent not to be unreasonably withheld.

4.7 Selection of Counsel. If the Company shall be obligated under Section 3 or 4 to indemnify Indemnitee or advance Expenses to Indemnitee in connection with any Action, the Company shall be entitled to assume the defense of such Action, with counsel approved by Indemnitee, such approval not to be unreasonably withheld, upon the delivery to Indemnitee of

written notice of its election so to do. After delivery of such notice, approval of such counsel by Indemnitee and the retention of such counsel by the Company, the Company will not be liable to Indemnitee under this Agreement for any fees of counsel subsequently incurred by Indemnitee with respect to the same Action; provided that (a) Indemnitee shall have the right to employ separate counsel in any such Action at Indemnitee's expense; and (b) if (i) the employment of counsel by Indemnitee has been previously authorized by the Company, (ii) Indemnitee shall have reasonably concluded

that there may be a conflict of interest between the Company and Indemnitee in the conduct of any such defense, or (iii) the Company shall not, in fact, have employed counsel to assume the defense of such Action, then the fees and expenses of Indemnitee's counsel shall be at the expense of the Company.

4.8 Effect of Changes in the Law. Notwithstanding any other provision of this Agreement, (i) in the event of any change in any applicable law or judicial interpretation of such law which narrows the right or obligation of the Company to indemnify Indemnitee, such change, to the extent not otherwise required by such law or judicial interpretation to be applied to this Agreement, shall have no effect on this Agreement or the parties' rights and obligations hereunder, and (ii) in the event of any change in any applicable law or judicial interpretation of such law which expands the right or obligation of the Company to indemnify Indemnitee, Indemnitee shall receive under this Agreement the greater benefit provided by such change, subject to any express indemnification limitations and provisions that are set forth in this Agreement.

4.9 Nonexclusivity. The indemnification provided by this Agreement shall not be deemed exclusive of any rights to which Indemnitee may be entitled under the Company's Articles of Incorporation, its Bylaws, any other agreement, any insurance policy maintained by the Company, any vote of shareholders or disinterested directors, applicable law, or otherwise, both as to action in Indemnitee's official capacity and as to action in another capacity while holding such office. The indemnification provided under this Agreement shall continue as to Indemnitee from any action taken or not taken while serving in an indemnified capacity even though he or she may have ceased to serve in such capacity at the time of the Action.

5. Remedies of Indemnitee.

5.1 In the event of any dispute between Indemnitee and the Company hereunder as to entitlement to indemnification or advancement of Expenses (including where (i) a determination is made pursuant to Section 4.3 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 4.1 of this Agreement, (iii) payment of indemnification pursuant to Section 4.3 of this Agreement is not made within ten (10) calendar days after a determination has been made that Indemnitee is entitled to indemnification, or (iv) no determination as to entitlement to indemnification is timely made pursuant to Section 4.3 of this Agreement), then Indemnitee shall be entitled to an adjudication by a court of Indemnitee's entitlement to such indemnification or advancement. Alternatively, in such case, Indemnitee, at Indemnitee's option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

5.2 If a determination shall have been made pursuant to Section 4.3 of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 5 shall be conducted in all respects as a de novo trial, or arbitration, on the merits, and Indemnitee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 5, the Company shall have the burden of proving Indemnitee is not entitled to indemnification or advancement of Expenses and the Company may not refer to or introduce into evidence any determination pursuant to Section 4.3 of this Agreement adverse to Indemnitee for any purpose. If Indemnitee commences a judicial proceeding or arbitration pursuant to this Section 5, Indemnitee shall not be required to reimburse the Company for any advances pursuant to Section 4.1 until a

final determination is made with respect to Indemnitee's entitlement to indemnification (as to which all rights of appeal have been exhausted or lapsed).

5.3 If a determination shall have been made pursuant to Section 4.3 of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial

proceeding or arbitration commenced pursuant to this Section 5, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with such determination of Indemnitee's entitlement to indemnification, or (ii) a prohibition of such indemnification under applicable law.

5.4 The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 5 that the procedures and presumptions of this Agreement are not valid, binding or enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement.

5.5 The Company shall indemnify Indemnitee to the fullest extent permitted by applicable law against all Expenses actually and reasonably incurred by Indemnitee in connection with any judicial proceeding or arbitration brought by Indemnitee for (i) indemnification or advances of Expenses by the Company (or otherwise for the enforcement, interpretation or defense of his or her rights) under this Agreement or any other agreement, including any other indemnification or advancement agreement, or any provision of the Company's Articles of Incorporation or Bylaws now or hereafter in effect or (ii) recovery or advances under any directors' and officers' liability insurance policy maintained by the Company, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advancement or insurance recovery, as the case may be; provided, however, that this Section 5.5 shall not apply if, as part of such judicial proceeding or arbitration, the court of competent jurisdiction or the arbitrator, as the case may be, determines that the material assertions made by Indemnitee as a basis for such judicial proceeding or arbitration were not made in good faith or were frivolous.

5.6 In the event of an Action instituted by or in the name of the Company under this Agreement to enforce or interpret any of the terms of this Agreement, Indemnitee shall be entitled to be paid all Expenses, including attorneys' fees, actually and reasonably incurred by Indemnitee in defense of such Action (including with respect to Indemnitee's counterclaims and cross-claims made in such Action), unless as a part of such Action the court determines that all of Indemnitee's material defenses to such Action were made in bad faith or were frivolous.

6. **Partial Indemnification.** If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Expenses, judgments, Fines, amounts paid in settlement and other amounts actually and reasonably incurred by Indemnitee in connection with any Action, but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion of such Expenses, judgments, amounts paid in settlement, Fines and other amounts to which Indemnitee is entitled.

7. **Severability.** If any provision or provisions of this Agreement shall be held to be invalid, illegal, or unenforceable as applied to any person or entity or circumstance for any reason whatsoever, then, to the fullest extent permitted by law (a) the validity, legality, and enforceability of such provision in any other circumstance and of the remaining provisions of this Agreement (including, without limitation, all portions of any paragraphs of this Agreement containing any such provision held to be invalid, illegal, or unenforceable, that are not by themselves invalid, illegal, or unenforceable) and the application of such provision to other persons or entities or circumstances shall not in any way be affected or impaired thereby, and (b) to the fullest extent possible, the provisions of this Agreement (including, without limitation, all portions of any paragraph of this Agreement containing any such provision held to be invalid, illegal, or unenforceable, that are not themselves invalid, illegal, or unenforceable) shall be construed so as to give effect to the intent of

the parties that the Company provide protection to Indemnatee to the fullest extent set forth in this Agreement.

8. **Exceptions.** Any other provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement:

8.1 Claims Initiated by Indemnitee. To indemnify or advance Expenses to Indemnitee with respect to an Action initiated or brought voluntarily by Indemnitee and not by way of defense unless the Company has authorized or ratified the initiation or bringing of such Action in writing or unless such Action is brought by Indemnitee to establish or enforce a right to indemnification under this Agreement or under the Company's Articles of Incorporation, its Bylaws, any other agreement, any insurance policy maintained by the Company, applicable law or otherwise; or

8.2 Lack of Good Faith. To indemnify Indemnitee for any Expenses incurred by Indemnitee with respect to any Action initiated by Indemnitee to enforce or interpret this Agreement, if a court of competent jurisdiction in a final adjudication not subject to further appeal determines that each of the material assertions made by Indemnitee in such Action was not made in good faith or was frivolous; or

8.3 No Duplication of Payments. To make any payment in connection with any claim made against Indemnitee to the extent Indemnitee has otherwise received payment (under any insurance policy maintained by the Company, the Articles of Incorporation or Bylaws of the Company, another agreement or otherwise) of the amounts otherwise indemnifiable hereunder; if the Company makes any indemnification payment to Indemnitee in connection with any claim made against Indemnitee and Indemnitee has already received or thereafter receives payments in connection with the same claim, then Indemnitee shall reimburse the Company in an amount equal to the lesser of (i) the amount of the payment otherwise received by Indemnitee and (ii) the full amount of the indemnification payment made by the Company; or

8.4 Indemnification Prohibited by Applicable Law. To indemnify or advance Expenses to Indemnitee if such indemnification or advance of Expenses is prohibited by applicable law as determined by a court of competent jurisdiction in a final adjudication not subject to further appeal; or

8.5 Employment Agreement. To indemnify or advance Expenses to Indemnitee with respect to an Action if Indemnitee's employment agreement with the Company or any other member of the Company Group expressly states that the Company is not obligated to provide indemnification or advance Expenses with respect to such Action; or

8.6 Claims under Section 16(b). To indemnify Indemnitee for Expenses and the payment of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 16(b) of the Exchange Act or any similar successor statute; or

8.7 Claims under Sarbanes-Oxley Act of 2002; Clawbacks of Compensation. To indemnify Indemnitee for (i) any reimbursement of the Company by Indemnitee of any bonus or other incentive-based or equity-based compensation or of any profits realized by Indemnitee from the sale of securities of the Company, as required in each case under the Exchange Act (including any such reimbursements that arise from an accounting restatement of the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002), (ii) the payment to the Company of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 306 of the Sarbanes-Oxley Act of 2002), or (iii) any reimbursement of the Company by Indemnitee of any compensation

pursuant to any compensation recoupment or clawback policy adopted by the Board or the Company's Compensation Committee.

9. **Liability Insurance; Subrogation.**

9.1 The Company shall give prompt notice of the commencement of each Action to its directors' and officers' liability insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of each Action in accordance with the terms of such policies. The Company at its discretion may instruct the insurers and their insurance brokers that they may communicate directly with Indemnitee regarding such Action.

9.2 At all times during which the Company has actual or potential indemnification obligations to Indemnitee under this Agreement, the Company shall purchase and maintain at the Company's expense a policy or policies of insurance with a reputable insurance company or companies providing Indemnitee and other directors and executive officers of the Company with a commercially reasonable amount of coverage against Expenses, judgments, Fines, amounts paid in settlement and other amounts and liabilities asserted against them, or incurred by them, with respect to Actions brought or threatened against them by reason of the fact that they are or were serving as Agents, regardless as to whether the Company has the power to indemnify Indemnitee and such other directors and officers under this Agreement and other indemnification agreements. In all such policies of liability insurance (including with respect to the period after Indemnitee has ceased to serve as a director or an officer of the Company), Indemnitee shall be named as an insured in such a manner as to provide Indemnitee the same rights and benefits as are accorded to the most favorably insured of the Company's directors, if Indemnitee is a director, or of the Company's officers, if Indemnitee is not a director of the Company but is an officer. The Company shall pay any and all premiums, deductibles, retentions and similar payments that are owed under such policies of liability insurance and shall comply with all the terms of such policies of liability insurance.

9.3 In the event of any payment by the Company under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee with respect to any insurance policy purchased by the Company. Indemnitee shall execute all papers reasonably required and shall take all action reasonably necessary to secure such rights, including the execution of documents reasonably necessary to enable the Company effectively to bring suit to enforce such rights. The Company shall pay or reimburse Indemnitee for all Expenses actually and reasonably incurred by Indemnitee in connection with such subrogation.

10. **Execution; Amendments.** This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party, it being understood that both parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by email delivery of a "pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or "pdf" signature page were an original thereof. This Agreement may not be amended, modified or terminated except pursuant to a writing executed by Indemnitee and the Company.

11. **Successors and Assigns.** This Agreement shall be binding upon, and shall be enforceable by Indemnitee against, the Company and its successors and assigns and shall inure to the benefit of Indemnitee and Indemnitee's estate, heirs, legal representatives and assigns. Without limiting the generality of the preceding sentence, this Agreement shall be binding upon, and shall be enforceable by Indemnitee against, any Entity that acquires all or substantially all of the assets or outstanding securities of the Company in a merger, consolidation, purchase of assets or other

transaction, provided that no such transaction shall relieve the Company of its obligations under this Agreement. In addition, the Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all, or a substantial part, of the business and/or assets of the Company, by written agreement in form and substance

satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement and indemnify Indemnitee to the fullest extent permitted by law.

12. **Information Sharing.** If Indemnitee is the subject of or is implicated in any way during an investigation, whether formal or informal, the Company shall promptly notify Indemnitee of such investigation. The Company shall further share with Indemnitee any information it has turned over to any third parties concerning the investigation (“Shared Information”) at the time such information is so furnished. By executing this Agreement, Indemnitee agrees that such Shared Information is material non-public information that Indemnitee is obligated to hold in confidence and may not disclose publicly; provided, however, that Indemnitee is permitted to use the Shared Information and to disclose such Shared Information to Indemnitee’s legal counsel and third parties solely in connection with defending Indemnitee from legal liability.

13. **Contribution.** If the indemnification provided pursuant to this Agreement is unavailable in whole or in part and may not be paid to Indemnitee for any reason other than those set forth in Section 8, then in respect to an Action in which the Company is jointly liable with Indemnitee (or would be if joined in such Action), to the fullest extent permissible under applicable law, the Company, in lieu of indemnifying and holding harmless Indemnitee, shall pay, in the first instance, the entire amount incurred by Indemnitee, whether for Expenses, judgments, Fines, decisions of arbitrators, penalties, and/or amounts paid or to be paid in settlement, in connection with any Action without requiring Indemnitee to contribute to such payment, and the Company hereby waives and relinquishes any right of contribution it may have at any time against Indemnitee; provided, however, that such right to contribution described in this section shall terminate at the time the Company concludes (pursuant to the terms of this Agreement) that (i) Indemnitee is not entitled to indemnification pursuant to this Agreement, or (ii) such indemnification obligation to Indemnitee has been fully discharged by the Company.

14. **Notices.** All notices, requests, demands and other communications (collectively, “Notices”) given pursuant to this Agreement shall be in writing, and shall be delivered by personal service, courier, facsimile transmission or by United States first class, registered or certified mail, postage prepaid, addressed to the Company at its principal executive offices or to Indemnitee at the address set forth on the signature page of this Agreement. Any Notice, other than a Notice sent by registered or certified mail, shall be effective when received; a Notice sent by registered or certified mail, postage prepaid return receipt requested, shall be effective on the earlier of when received or the third day following deposit in the United States mails. Any party may from time to time change its address for further Notices hereunder by giving notice to the other party in the manner prescribed in this Section.

15. **Consent to Jurisdiction.** Each of the Company and Indemnitee irrevocably consents to the jurisdiction of the courts of the State of California for all purposes in connection with any Action which arises out of or relates to this Agreement and agrees that, except with respect to an arbitration commenced by Indemnitee pursuant to Section 5.1, any Action instituted under this Agreement shall be brought only in the state courts of the State of California or in federal courts located in such State.

16. **Governing Law.** This Agreement shall be governed by and its provisions construed in accordance with the laws of the State of California without regard to its conflict of laws rules.

17. **Interpretation.** As used in this Agreement, the word “including” means without limitation, the word “or” is exclusive and the words “herein,” “hereof,” “hereto” and “hereunder”

refer to this Agreement as a whole. Unless the context otherwise requires, references herein to Sections mean the Sections of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date first written above.

CALAVO GROWERS, INC.

By:

Its:

Agreed to and accepted:

INDEMNITEE:

Name

Signature

Address

CERTIFICATION PURSUANT TO
15 U.S.C. § 7241
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Brian Kocher, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Calavo Growers, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present, in all material respects, the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 2, 2022

/s/ Brian Kocher

Brian Kocher

President, Chief Executive Officer and Interim
Chief Financial Officer (Principal Executive Officer
and Principal Financial Officer)

WRITTEN STATEMENT OF CHIEF EXECUTIVE OFFICER
AND CHIEF FINANCIAL OFFICER

The undersigned, the Chief Executive Officer, and our Interim Chief Financial Officer of Calavo Growers, Inc. (the Company), hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge, the Company's Quarterly Report on Form 10-Q for the quarter ended April 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the Report), fully complies with the requirements of Section 13(a) or 15 (d) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 2, 2022

/s/ Brian Kocher

Brian Kocher
President, Chief Executive Officer and Interim Chief
Financial Officer

**Document and Entity
Information**

**6 Months Ended
Apr. 30, 2022
shares**

Document and Entity Information

<u>Document Type</u>	10-Q
<u>Document Quarterly Report</u>	true
<u>Document Period End Date</u>	Apr. 30, 2022
<u>Document Transition Report</u>	false
<u>Entity File Number</u>	000-33385
<u>Entity Registrant Name</u>	CALAVO GROWERS, INC
<u>Entity Incorporation, State or Country Code</u>	CA
<u>Entity Tax Identification Number</u>	33-0945304
<u>Entity Address, Address Line One</u>	1141-A Cummings Road
<u>Entity Address, City or Town</u>	Santa Paula
<u>Entity Address, State or Province</u>	CA
<u>Entity Address, Postal Zip Code</u>	93060
<u>City Area Code</u>	805
<u>Local Phone Number</u>	525-1245
<u>Title of 12(b) Security</u>	Common Stock, \$0.001 par value per share
<u>Trading Symbol</u>	CVGW
<u>Security Exchange Name</u>	NASDAQ
<u>Entity Current Reporting Status</u>	Yes
<u>Entity Interactive Data Current</u>	Yes
<u>Entity Filer Category</u>	Large Accelerated Filer
<u>Entity Small Business</u>	false
<u>Entity Emerging Growth Company</u>	false
<u>Entity Shell Company</u>	false
<u>Entity Common Stock, Shares Outstanding</u>	17,742,140
<u>Entity Central Index Key</u>	0001133470
<u>Current Fiscal Year End Date</u>	--10-31
<u>Document Fiscal Year Focus</u>	2022
<u>Document Fiscal Period Focus</u>	Q2
<u>Amendment Flag</u>	false

**CONSOLIDATED
CONDENSED BALANCE
SHEETS - USD (\$)
\$ in Thousands**

	Apr. 30, 2022	Oct. 31, 2021
<u>Current assets:</u>		
<u>Cash and cash equivalents</u>	\$ 2,317	\$ 1,885
<u>Restricted cash</u>	949	970
<u>Accounts receivable, net of allowances of \$4,569 (2022) and \$4,816 (2021)</u>	103,153	78,866
<u>Inventories</u>	53,617	40,757
<u>Prepaid expenses and other current assets</u>	9,333	11,946
<u>Advances to suppliers</u>	7,904	6,693
<u>Income taxes receivable</u>	8,664	11,524
<u>Total current assets</u>	185,937	152,641
<u>Property, plant, and equipment, net</u>	114,778	118,280
<u>Operating lease right-of-use assets</u>	57,042	59,842
<u>Investment in Limoneira Company</u>	20,027	27,055
<u>Investments in unconsolidated entities</u>	3,802	4,346
<u>Deferred income taxes</u>	5,316	5,316
<u>Goodwill</u>	28,653	28,653
<u>Intangibles, net</u>	7,992	8,769
<u>Other assets</u>	44,745	40,500
<u>Total assets</u>	468,292	445,402
<u>Current liabilities:</u>		
<u>Payable to growers</u>	52,105	23,033
<u>Trade accounts payable</u>	18,639	9,794
<u>Accrued expenses</u>	50,086	42,063
<u>Dividend payable</u>		20,330
<u>Other current liabilities</u>	11,000	11,000
<u>Current portion of operating leases</u>	6,879	6,817
<u>Current portion of long-term obligations and finance leases</u>	1,539	1,587
<u>Total current liabilities</u>	140,248	114,624
<u>Long-term liabilities:</u>		
<u>Borrowings pursuant to credit facilities, long-term</u>	41,900	37,700
<u>Long-term operating leases, less current portion</u>	54,760	57,561
<u>Long-term obligations and finance leases, less current portion</u>	4,647	5,553
<u>Other long-term liabilities</u>	2,970	3,081
<u>Total long-term liabilities</u>	104,277	103,895
<u>Commitments and contingencies</u>		
<u>Shareholders' equity:</u>		
<u>Common stock (\$0.001 par value, 100,000 shares authorized; 17,742 and 17,686 shares issued and outstanding as of April 30, 2022 and October 31, 2021, respectively)</u>	18	18
<u>Additional paid-in capital</u>	169,453	168,133
<u>Noncontrolling interest</u>	1,166	1,368
<u>Retained earnings</u>	53,130	57,364

<u>Total shareholders' equity</u>	223,767,226,883
<u>Total liabilities and shareholders' equity</u>	\$ \$ 468,292,445,402

**CONSOLIDATED
CONDENSED BALANCE
SHEETS (Parenthetical) -
USD (\$)
shares in Thousands, \$ in
Thousands**

Apr. 30, 2022 Oct. 31, 2021

CONSOLIDATED CONDENSED BALANCE SHEETS (UNAUDITED)

<u>Allowances of accounts receivable</u>	\$ 4,569	\$ 4,816
<u>Common stock, par value</u>	\$ 0.001	\$ 0.001
<u>Common stock, shares authorized</u>	100,000	100,000
<u>Common stock, shares issued</u>	17,742	17,686
<u>Common stock, shares outstanding</u>	17,742	17,686

**CONSOLIDATED
CONDENSED
STATEMENTS OF
OPERATIONS - USD (\$)
shares in Thousands, \$ in
Thousands**

3 Months Ended 6 Months Ended

Apr. 30, Apr. 30, Apr. 30, Apr. 30,
2022 2021 2022 2021

**CONSOLIDATED CONDENSED STATEMENTS OF
OPERATIONS (UNAUDITED)**

<u>Net sales</u>	\$ 331,418	\$ 276,821	\$ 605,510	\$ 497,399
<u>Cost of sales</u>	309,677	254,221	570,541	456,960
<u>Gross profit</u>	21,741	22,600	34,969	40,439
<u>Selling, general and administrative</u>	16,605	13,683	31,853	27,857
<u>Expenses related to Mexican tax matters</u>	478		845	
<u>Impairment and charges related to RFG Florida facility closure</u>	305		959	
<u>Gain on sale of Temecula packinghouse</u>	(54)	(54)	(108)	(108)
<u>Operating income</u>	4,407	8,971	1,420	12,690
<u>Interest expense</u>	(460)	(191)	(787)	(365)
<u>Other income, net</u>	496	411	1,155	612
<u>Unrealized net gain (loss) on Limoneira shares</u>	(4,898)	3,506	(7,028)	7,095
<u>Income (loss) before income taxes and loss from unconsolidated entities</u>	(455)	12,697	(5,240)	20,032
<u>Income tax (provision) benefit</u>	187	(2,772)	1,347	(4,715)
<u>Net loss from unconsolidated entities</u>	(8)	(1,131)	(543)	(1,286)
<u>Net income (loss)</u>	(276)	8,794	(4,436)	14,031
<u>Add: Net loss attributable to noncontrolling interest</u>	85	47	202	87
<u>Net income (loss) attributable to Calavo Growers, Inc.</u>	\$ (191)	\$ 8,841	\$ (4,234)	\$ 14,118
<u>Calavo Growers, Inc.'s net income (loss) per share:</u>				
<u>Basic (in dollars per shares)</u>	\$ (0.01)	\$ 0.50	\$ (0.24)	\$ 0.80
<u>Diluted (in dollars per shares)</u>	\$ (0.01)	\$ 0.50	\$ (0.24)	\$ 0.80
<u>Number of shares used in per share computation:</u>				
<u>Basic</u>	17,664	17,619	17,659	17,609
<u>Diluted</u>	17,664	17,679	17,659	17,668

**CONSOLIDATED
CONDENSED
STATEMENTS OF CASH
FLOWS - USD (\$)
\$ in Thousands**

6 Months Ended

**Apr. 30,
2022 Apr. 30,
2021**

Cash Flows from Operating Activities:

Net income (loss) \$ (4,436) \$ 14,031

Adjustments to reconcile net income (loss) to net cash provided by operating activities:

Depreciation and amortization 8,405 8,371

Non-cash operating lease expense 61 59

Net loss from unconsolidated entities 543 1,286

Unrealized net loss (gain) on Limoneira shares 7,028 (7,095)

Impairment and non-cash charges related to closure of RFG Florida facility 317

Stock-based compensation expense 1,368 2,264

Gain on sale of Temecula packinghouse (108) (108)

Effect on cash of changes in operating assets and liabilities:

Accounts receivable, net (24,287) (26,400)

Inventories (12,950) (11,579)

Prepaid expenses and other current assets 13 2,700

Advances to suppliers (1,211) (4,460)

Income taxes receivable/payable 2,860 8,172

Other assets (1,645) (5,126)

Payable to growers 29,072 20,044

Trade accounts payable, accrued expenses and other liabilities 16,302 8,264

Net cash provided by operating activities 21,332 10,423

Cash Flows from Investing Activities:

Purchases of property, plant, and equipment (3,787) (7,659)

Infrastructure advance to tomato growers (1,326)

Net cash used in investing activities (3,787) (8,985)

Cash Flows from Financing Activities:

Payment of dividend to shareholders (20,330) (20,343)

Proceeds from revolving credit facility 168,800 172,600

Payments on revolving credit facility (164,600) (150,900)

Payments of minimum withholding taxes on net share settlement of equity awards (95) (602)

Payments on long-term obligations and finance leases (956) (713)

Proceeds from stock option exercises 47 47

Net cash provided by (used in) financing activities (17,134) 89

Net increase in cash, cash equivalents and restricted cash 411 1,527

Cash, cash equivalents and restricted cash, beginning of period 2,855 4,055

Cash, cash equivalents and restricted cash, end of period 3,266 5,582

Noncash Investing and Financing Activities:

Right of use assets obtained in exchange for new financing lease obligations 665

Property, plant, and equipment included in trade accounts payable and accrued expenses

\$ 878

\$ 522

CONSOLIDATED CONDENSED STATEMENTS OF SHAREHOLDERS' EQUITY - USD (\$) shares in Thousands, \$ in Thousands	Common Stock [Member]	Additional Paid- in Capital [Member]	Retained Earnings [Member]	Noncontrolling Interest	Total
Beginning balance at Oct. 31, 2020	\$ 18	\$ 165,000	\$ 89,512	\$ 1,472	\$ 256,002
Beginning balance, shares at Oct. 31, 2020	17,661				
Exercise of stock options and income tax benefit		47			47
Exercise of stock options and income tax benefit, shares	2				
Payments of minimum withholding taxes on net share settlement of equity awards		(467)			(467)
Stock compensation expense		907			907
Restricted stock issued, shares	23				
Avocados de Jalisco noncontrolling interest contribution				(40)	(40)
Net income (loss) attributable to Calavo Growers, Inc.			5,277		5,277
Ending balance at Jan. 31, 2021	\$ 18	165,487	94,789	1,432	261,726
Ending balance, shares at Jan. 31, 2021	17,686				
Beginning balance at Oct. 31, 2020	\$ 18	165,000	89,512	1,472	256,002
Beginning balance, shares at Oct. 31, 2020	17,661				
Net income (loss) attributable to Calavo Growers, Inc.					14,118
Ending balance at Apr. 30, 2021	\$ 18	166,709	103,630	1,385	271,742
Ending balance, shares at Apr. 30, 2021	17,684				
Beginning balance at Jan. 31, 2021	\$ 18	165,487	94,789	1,432	261,726
Beginning balance, shares at Jan. 31, 2021	17,686				
Payments of minimum withholding taxes on net share settlement of equity awards		(135)			(135)
Payments of minimum withholding taxes on net share settlement of equity awards, (2) shares					
Stock compensation expense		1,357			1,357
Avocados de Jalisco noncontrolling interest contribution				(47)	(47)
Net income (loss) attributable to Calavo Growers, Inc.			8,841		8,841

<u>Ending balance at Apr. 30, 2021</u>	\$ 18	166,709	103,630	1,385	271,742
<u>Ending balance, shares at Apr. 30, 2021</u>	17,684				
<u>Beginning balance at Oct. 31, 2021</u>	\$ 18	168,133	57,364	1,368	226,883
<u>Beginning balance, shares at Oct. 31, 2021</u>	17,686				
<u>Exercise of stock options and income tax benefit</u>		47			47
<u>Exercise of stock options and income tax benefit, shares</u>	2				
<u>Payments of minimum withholding taxes on net share settlement of equity awards</u>		(44)			(44)
<u>Stock compensation expense</u>		556			556
<u>Restricted stock issued, shares</u>	28				
<u>Avocados de Jalisco noncontrolling interest contribution</u>				(117)	(117)
<u>Net income (loss) attributable to Calavo Growers, Inc.</u>			(4,043)		(4,043)
<u>Ending balance at Jan. 31, 2022</u>	\$ 18	168,692	53,321	1,251	223,282
<u>Ending balance, shares at Jan. 31, 2022</u>	17,716				
<u>Beginning balance at Oct. 31, 2021</u>	\$ 18	168,133	57,364	1,368	226,883
<u>Beginning balance, shares at Oct. 31, 2021</u>	17,686				
<u>Net income (loss) attributable to Calavo Growers, Inc.</u>					(4,234)
<u>Ending balance at Apr. 30, 2022</u>	\$ 18	169,453	53,130	1,166	223,767
<u>Ending balance, shares at Apr. 30, 2022</u>	17,742				
<u>Beginning balance at Jan. 31, 2022</u>	\$ 18	168,692	53,321	1,251	223,282
<u>Beginning balance, shares at Jan. 31, 2022</u>	17,716				
<u>Payments of minimum withholding taxes on net share settlement of equity awards</u>		(51)			(51)
<u>Stock compensation expense</u>		812			812
<u>Restricted stock issued, shares</u>	26				
<u>Avocados de Jalisco noncontrolling interest contribution</u>				(85)	(85)
<u>Net income (loss) attributable to Calavo Growers, Inc.</u>			(191)		(191)
<u>Ending balance at Apr. 30, 2022</u>	\$ 18	\$ 169,453	\$ 53,130	\$ 1,166	\$ 223,767
<u>Ending balance, shares at Apr. 30, 2022</u>	17,742				

Description of the business

**6 Months Ended
Apr. 30, 2022**

Description of the business

Description of the business

1. Description of the business

Business

Calavo Growers, Inc. (referred to in this report as “Calavo”, the “Company”, “we”, “us” or “our”), is a global leader in the avocado industry and a provider of value-added fresh food. Our expertise in marketing and distributing avocados, prepared avocados, and other perishable foods allows us to deliver a wide array of fresh and prepared food products to retail grocery, foodservice, club stores, mass merchandisers, food distributors and wholesalers on a worldwide basis. We procure avocados from California, Mexico and other growing regions around the world. Through our various operating facilities, we (i) sort, pack, and/or ripen avocados, tomatoes and/or Hawaiian grown papayas, (ii) create, process and package a portfolio of healthy fresh foods including fresh-cut fruit and vegetables, and prepared foods and (iii) process and package guacamole and salsa. We distribute our products both domestically and internationally and report our operations in three different business segments: Fresh products, Renaissance Food Group (RFG) and Calavo Foods.

The accompanying unaudited consolidated condensed financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, the accompanying unaudited consolidated condensed financial statements contain all adjustments, consisting of adjustments of a normal recurring nature necessary to present fairly the Company’s financial position, results of operations and cash flows. The results of operations for interim periods are not necessarily indicative of the results that may be expected for a full year. These statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended October 31, 2021.

Recently Adopted Accounting Standards

In December 2019, the Financial Accounting Standards Board issued ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes," which amends and simplifies the accounting for income taxes by removing certain exceptions and providing new guidance to reduce complexity in certain aspects of the current guidance. This guidance was adopted by the Company during the first quarter of 2022 and did not impact the Company’s financial statements or related disclosures.

**Information regarding our
operations in different
segments**

6 Months Ended

Apr. 30, 2022

**Information regarding our
operations in different
segments**

**Information regarding our
operations in different
segments**

2. Information regarding our operations in different segments

We report our operations in three different business segments: (1) Fresh products, (2) RFG, and (3) Calavo Foods. These three business segments are presented based on how information is used by our Chief Executive Officer (our Chief Operating Decision Maker) to measure performance and allocate resources. The Fresh products segment includes operations that involve the distribution of avocados and other fresh produce products. The RFG segment represents operations related to the manufacturing and distribution of fresh-cut fruit, fresh-cut vegetables, and prepared foods. The Calavo Foods segment represents operations related to the purchase, manufacturing, and distribution of prepared avocado products, including guacamole, and salsa. Selling, general and administrative expenses, as well as other non-operating income/expense items, are evaluated by our Chief Executive Officer in the aggregate. We do not allocate assets, or specifically identify them, to our operating segments. The sales data in the following tables is presented in thousands:

	Three months ended April 30, 2022				Three months ended April 30, 2021			
	Fresh products	RFG	Calavo Foods	Total	Fresh products	RFG	Calavo Foods	Total
Avocados	\$191,754	\$ —	\$ —	\$191,754	\$146,359	\$ —	\$ —	\$146,359
Tomatoes	17,353	—	—	17,353	13,433	—	—	13,433
Papayas	2,743	—	—	2,743	2,647	—	—	2,647
Other fresh income	8	—	—	8	126	—	—	126
Fresh-cut fruit	—	48,829	—	48,829	—	48,006	—	48,006
Fresh-cut vegetables	—	26,777	—	26,777	—	25,215	—	25,215
Prepared products	—	27,380	20,809	48,189	—	23,790	20,915	44,705
Salsa	—	—	403	403	—	—	696	696
Total gross sales	211,858	102,986	21,212	336,056	162,565	97,011	21,611	281,187
Less sales allowances	(861)	(827)	(1,397)	(3,085)	(879)	(722)	(875)	(2,476)
Less inter-company eliminations	(486)	—	(1,067)	(1,553)	(717)	—	(1,173)	(1,890)
Net sales	<u>\$210,511</u>	<u>\$102,159</u>	<u>\$18,748</u>	<u>\$331,418</u>	<u>\$160,969</u>	<u>\$96,289</u>	<u>\$19,563</u>	<u>\$276,821</u>

	Six months ended April 30, 2022				Six months ended April 30, 2021			
	Fresh products	RFG	Calavo Foods	Total	Fresh products	RFG	Calavo Foods	Total
Avocados	\$342,258	\$ —	\$ —	\$342,258	\$250,130	\$ —	\$ —	\$250,130
Tomatoes	27,340	—	—	27,340	22,619	—	—	22,619
Papayas	5,783	—	—	5,783	5,397	—	—	5,397
Other fresh income	33	—	—	33	454	—	—	454

Fresh-cut fruit	—	92,202	—	92,202	—	90,950	—	90,950
Fresh-cut vegetables	—	54,863	—	54,863	—	54,804	—	54,804
Prepared products	—	52,198	39,219	91,417	—	42,508	37,753	80,261
Salsa	—	—	824	824	—	—	1,408	1,408
Total gross sales	375,414	199,263	40,043	614,720	278,600	188,262	39,161	506,023
Less sales allowances	(1,832)	(1,340)	(3,100)	(6,272)	(1,455)	(1,667)	(1,967)	(5,089)
Less inter-company eliminations	(1,090)	—	(1,848)	(2,938)	(1,243)	—	(2,292)	(3,535)
Net sales	<u>\$372,492</u>	<u>\$197,923</u>	<u>\$35,095</u>	<u>\$605,510</u>	<u>\$275,902</u>	<u>\$186,595</u>	<u>\$34,902</u>	<u>\$497,399</u>

	Fresh products	RFG	Calavo Foods	Interco. Elimin.	Total
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(All amounts are presented in thousands)

Three months ended April 30, 2022

Net sales	\$210,997	\$102,159	\$19,815	\$(1,553)	\$331,418
Cost of sales	192,841	99,915	18,474	(1,553)	309,677
Gross profit	<u>\$ 18,156</u>	<u>\$ 2,244</u>	<u>\$ 1,341</u>	<u>\$ —</u>	<u>\$ 21,741</u>

Three months ended April 30, 2021

Net sales	\$161,686	\$ 96,289	\$20,736	\$(1,890)	\$276,821
Cost of sales	146,678	94,001	15,432	(1,890)	254,221
Gross profit	<u>\$ 15,008</u>	<u>\$ 2,288</u>	<u>\$ 5,304</u>	<u>\$ —</u>	<u>\$ 22,600</u>

	Fresh products	RFG	Calavo Foods	Interco. Elimin.	Total
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(All amounts are presented in thousands)

Six months ended April 30, 2022

Net sales	\$373,582	\$197,923	\$36,943	\$(2,938)	\$605,510
Cost of sales	343,760	196,331	33,388	(2,938)	570,541
Gross profit	<u>\$ 29,822</u>	<u>\$ 1,592</u>	<u>\$ 3,555</u>	<u>\$ —</u>	<u>\$ 34,969</u>

Six months ended April 30, 2021

Net sales	\$277,145	\$186,595	\$37,194	\$(3,535)	\$497,399
Cost of sales	248,992	184,329	27,174	(3,535)	456,960
Gross profit	<u>\$ 28,153</u>	<u>\$ 2,266</u>	<u>\$10,020</u>	<u>\$ —</u>	<u>\$ 40,439</u>

For the three months ended April 30, 2022 and 2021, intercompany sales and cost of sales of \$0.5 million and \$0.7 million between Fresh products and RFG were eliminated. For the three months ended April 30, 2022 and 2021, intercompany sales and cost of sales of \$1.1 million and \$1.2 million between Calavo Foods and RFG were eliminated. For the six months ended April 30, 2022 and 2021, intercompany sales and cost of sales of \$1.1 million and \$1.2 million between Fresh products and RFG were eliminated. For the six months ended April 30, 2022 and 2021, intercompany sales and cost of sales of \$1.8 million and \$2.3 million between Calavo Foods and RFG were eliminated.

Sales to customers outside the U.S. were approximately \$8.3 million, and \$8.8 million for the three months ended April 30, 2022 and 2021. Sales to customers outside the U.S. were approximately \$15.4 million, and \$16.9 million for the six months ended April 30, 2022 and 2021.

Our foreign operations in Mexico are subject to exchange rate fluctuations and foreign currency transaction costs. The functional currency of our foreign subsidiaries in Mexico is the United States dollar (U.S. dollar). As a result, monetary assets and liabilities are translated into

U.S. dollars at exchange rates as of the balance sheet date and non-monetary assets, liabilities and equity are translated at historical rates. Sales and expenses are translated using a weighted-average exchange rate for the period. Gains and losses resulting from those remeasurements and foreign currency transactions are recognized within cost of sales. We recognized foreign currency remeasurement losses in the current quarter. These losses were due primarily to certain long-term net peso receivables. Foreign currency remeasurement losses, net of gains, for the three months ended April 30, 2022 and 2021 was \$0.3 million and \$0.5 million. Foreign currency remeasurement losses, net of gains, for the six months ended April 30, 2022 was \$0.9 million. Foreign currency remeasurement gains, net of losses, for the six months ended April 30, 2021 was \$0.6 million.

Long-lived assets attributed to geographic areas as of April 30, 2022 and October 31, 2021, are as follows (in thousands):

	<u>United States</u>	<u>Mexico</u>	<u>Consolidated</u>
April 30, 2022	\$ 78,604	\$36,174	\$ 114,778
October 31, 2021	\$ 81,059	\$37,221	\$ 118,280

Inventories

6 Months Ended
Apr. 30, 2022

Inventories Inventories

3. Inventories

Inventories consist of the following (in thousands):

	<u>April 30,</u> <u>2022</u>	<u>October 31,</u> <u>2021</u>
Fresh fruit	\$31,633	\$ 17,648
Packing supplies and ingredients	14,539	13,088
Finished prepared foods	<u>7,445</u>	<u>10,021</u>
Total	<u>\$53,617</u>	<u>\$ 40,757</u>

Inventories are stated at the lower of cost or net realizable value. We periodically review the value of items in inventory and record any necessary write downs of inventory based on our assessment of market conditions. Inventory includes reserves of \$0.4 million and \$0.2 million in slow moving and obsolete packing supply inventory as of April 30, 2022 and October 31, 2021.

Related party transactions

**6 Months Ended
Apr. 30, 2022**

Related party transactions

Related party transactions

4. Related party transactions

Board of Directors

Certain members of our Board of Directors market California avocados through Calavo pursuant to marketing agreements substantially similar to the marketing agreements that we enter into with other growers. For the three months ended April 30, 2022 and 2021, the aggregate amount of avocados procured from entities owned or controlled by members of our Board of Directors was \$1.4 million and \$5.0 million. For the six months ended April 30, 2022 and 2021, the aggregate amount of avocados procured from entities owned or controlled by members of our Board of Directors was \$1.6 million and \$5.0 million. Amounts payable to these Board members were \$0.5 million as of April 30, 2022. We did not have any amounts payable to these Board members as of October 31, 2021.

Limoneira

During the three months ended April 30, 2022 and 2021, we received \$0.1 million as dividend income from Limoneira Company (Limoneira). During the six months ended April 30, 2022 and 2021, we received \$0.2 million as dividend income from Limoneira. In addition, we lease office space from Limoneira for our corporate office. We paid rent expense to Limoneira totaling \$0.1 million for the three months ended April 30, 2022 and 2021. We paid rent expense to Limoneira totaling \$0.2 million for the six months ended April 30, 2022 and 2021. Harold Edwards, who resigned as a member of our Board of Directors in February 2022, is the Chief Executive Officer of Limoneira Company. As of April 30, 2022, we own approximately 9% of Limoneira's outstanding shares. In February 2022, Limoneira ended its marketing agreement with Calavo. The termination of this agreement is not expected to have a significant effect on either sales or results of operations.

Agricola Don Memo, S.A. de C.V. ("Don Memo")

Calavo and Agricola Belher ("Belher") have an equal one-half ownership interest in Don Memo. Pursuant to a management service agreement, Belher, through its officers and employees, has day-to-day power and authority to manage the operations.

As of April 30, 2022, and October 31, 2021, we had an investment of \$3.8 million and \$4.3 million, representing Calavo's 50% ownership in Don Memo, which was included as an investment in unconsolidated entities on our balance sheet. We make advances to Don Memo for operating purposes, provide additional advances as shipments are made during the season, and return the proceeds from tomato sales under our marketing program to Don Memo, net of our commission and aforementioned advances. As of April 30, 2022 and October 31, 2021, we had outstanding advances of \$4.2 million and \$4.2 million to Don Memo. In October 2020, we entered into an infrastructure loan agreement with Don Memo for up to \$2.4 million secured by certain property and equipment of Don Memo. This infrastructure loan accrues interest at 7.25%. In October 2020, we funded \$0.7 million related to this loan agreement, and we funded an additional \$0.7 million, and \$0.6 million in the first, and second quarters of fiscal 2021, for a total outstanding balance at April 30, 2022 of \$2.0 million (\$0.4 million is included in prepaids and other current assets and \$1.6 million in other assets). This infrastructure loan agreement will mature in fiscal 2024. During the three months ended April 30, 2022 and 2021, we incurred \$0.5 million and \$0.4 million of cost of sales to Don Memo pursuant to our purchase consignment agreement. During the six months ended April 30, 2022 and 2021, we incurred \$3.9 million and \$3.9 million of cost of sales to Don Memo pursuant to our purchase consignment agreement.

Belher

We make advances to Belher for operating purposes, provide additional advances as shipments are made during the season, and return the proceeds from tomato sales under our marketing program to Belher, net of our commission and aforementioned advances. We had grower advances due from Belher totaling \$1.8 million and \$4.5 million as of April 30, 2022 and October 31, 2021, which are netted against the grower payable. In addition, we had infrastructure advances due from Belher of \$0.9 million as of April 30, 2022 and October 31, 2021. These infrastructure advances were recorded as a receivable in prepaid and other current assets as of April 30, 2022 and October 31, 2021. In July 2021, we made a bridge loan of \$3.5 million to Belher. This loan is secured by certain farmland in Mexico and accrues interest at 10%. In the first quarter of fiscal 2022, this loan was amended to be due with installments of \$0.9 million on July 31, 2022, \$0.9 million on July 31, 2023 and \$1.7 million on July 31, 2024. This bridge loan has been recorded as \$0.9 million in prepaid expenses and other current assets and \$2.6 million in other assets. As part of this amended loan agreement, we can withhold payments on both the infrastructure advances and the bridge loan through the netting against the grower payable due to Belher. For the three and six months ended April 30, 2022, we withheld \$1.0 million from payments to Belher to offset infrastructure advances and the bridge loan repayments. During the three months ended April 30, 2022 and 2021, we incurred \$14.6 million and \$11.2 million of cost of sales to Belher pursuant to our purchase consignment agreement. During the three months ended April 30, 2022 and 2021, we incurred \$18.0 million and \$14.5 million of cost of sales to Belher pursuant to our purchase consignment agreement.

Avocados de Jalisco, S.A.P.I. de C.V. (“Avocados de Jalisco”)

In August 2015, we entered into a Shareholder’s Agreement with various Mexican partners and created Avocados de Jalisco. Avocados de Jalisco is a Mexican corporation created to engage in procuring, packing and selling avocados. As of April 30, 2022, this entity was approximately 83% owned by Calavo and was consolidated in our financial statements. Avocados de Jalisco built a packinghouse located in Jalisco, Mexico, which began operations in June of 2017. During the three months ended April 30, 2021 we purchased approximately \$1.0 million of avocados from the partners of Avocados de Jalisco. During the six months ended April 30, 2022 and 2021, we purchased approximately \$3.5 million and \$3.2 million of avocados from the partners of Avocados de Jalisco.

Other assets and Intangibles

6 Months Ended
Apr. 30, 2022

Other assets and Intangibles

Other assets and Intangibles

5. Other assets and Intangibles

Other assets consist of the following (in thousands):

	April 30, 2022	October 31, 2021
Mexican IVA (i.e. value-added) taxes receivable (see note 11)	\$39,830	\$ 37,493
Infrastructure advances to Agricola Belher	1,641	1,641
Bridge loan to Agricola Belher	2,600	—
Other	674	1,366
Total	\$44,745	\$ 40,500

Intangible assets consist of the following (in thousands):

	Weighted- Average Useful Life	April 30, 2022			October 31, 2021		
		Gross Carrying Value	Accum. Amortization	Net Book Value	Gross Carrying Value	Accum. Amortization	Net Book Value
Customer list/ relationships	7 years	\$17,340	\$ (10,681)	\$6,659	\$17,340	\$ (9,989)	\$7,351
Trade names	11 years	4,060	(3,040)	1,020	4,060	(2,980)	1,080
Trade secrets/ recipes	9 years	630	(592)	38	630	(567)	63
Brand name intangibles	indefinite	275	—	275	275	—	275
Intangibles, net		\$22,305	\$ (14,313)	\$7,992	\$22,305	\$ (13,536)	\$8,769

We anticipate recording amortization expense of \$0.8 million for the remainder of fiscal 2022, \$1.5 million for fiscal year 2023, \$1.5 million for fiscal year 2024, \$1.5 million for fiscal year 2025, and \$2.4 million thereafter.

Stock-Based Compensation

6 Months Ended
Apr. 30, 2022

[Stock-Based Compensation](#) [Stock-Based Compensation](#)

6. Stock-Based Compensation

In April 2011, our shareholders approved the Calavo Growers, Inc. 2011 Management Incentive Plan (the “2011 Plan”). All directors, officers, employees and consultants (including prospective directors, officers, employees and consultants) of Calavo and its subsidiaries are eligible to receive awards under the 2011 Plan. Shares were issuable under the 2011 Plan through December 2020. On April 21, 2021, the shareholders of Calavo approved the Calavo Growers, Inc. 2020 Equity Incentive Plan (the “2020 Plan”). This is a five-year plan, with up to 1,500,000 shares that are issuable pursuant to awards that may be made through December 9, 2025.

Restricted Stock Awards

On December 13, 2021, certain of our officers were granted a total of 5,355 restricted shares. These shares have full voting rights and participate in dividends as if unrestricted. The closing price of our stock on such date was \$40.53. These shares vest over two years, on an annual basis, beginning December 13, 2022. These shares were granted pursuant to our 2020 Plan. The total recognized stock-based compensation expense for these grants was less than \$0.1 million for the three and six months ended April 30, 2022.

On January 3, 2022, all 10 of our current directors were granted 2,814 restricted shares each (for a total of 28,140 shares). These shares have full voting rights and participate in dividends as if unrestricted. The closing share price of our stock on such grant date was \$42.64. As of January 3, 2023, these shares will vest and become unrestricted subject to the continued service of the director. The total recognized stock-based compensation expense for these grants was \$0.3 million and \$0.4 million for the three and six months ended April 30, 2022.

On January 20, 2022, one of our current directors was granted 1,500 unrestricted shares as a component of her compensation for services rendered during the 2021 fiscal year. The closing share price of our stock on such grant date was \$41.73. The stock-based compensation expense for this grant was recognized in total upon grant and aggregated \$0.1 million for the three and six months ended April 30, 2022.

On February 1, 2022, Brian Kocher, our new Chief Executive Officer, was granted 28,993 of restricted shares as part of his employment agreement. The closing share price of our stock on such grant date was \$41.39. These shares will vest over three years on an annual basis, beginning February 1, 2023. The total recognized stock-based compensation expense for this grant was \$0.1 million for the three and six months ended April 30, 2022.

A combined summary of restricted stock award activity, related to our 2011 and 2020 Plans, is as follows (in thousands, except for per share amounts):

	Number of Shares	Weighted-Average Grant Price	Aggregate Intrinsic Value
Outstanding at October 31, 2021	43	\$ 64.89	
Vested	(31)	\$ 45.44	
Forfeited	(1)	\$ 44.57	
Granted	64	\$ 41.88	
Outstanding at April 30, 2022	75	\$ 44.08	\$ 2,718

The total recognized stock-based compensation expense for restricted stock was \$0.8 million and \$1.4 million for the three months ended April 30, 2022 and 2021. The total recognized stock-based compensation expense for restricted stock was \$1.4 million and \$2.3 million for the six

months ended April 30, 2022 and 2021. Total unrecognized stock-based compensation expense totaled \$1.5 million as of April 30, 2022 and will be amortized through fiscal year 2024.

Restricted Stock Units (RSUs) and Performance Restricted Stock Units (PRSUs)

On April 1, 2022, we issued RSUs for officers and other members of management as part of our long-term incentive plan. The RSUs are time-based and vest annually in equal amounts over a three-year period. The PRSUs are based on three-year cumulative performance targets of net sales, adjusted EBITDA and return on invested capital and vest entirely at the third anniversary. We granted 34,269 shares of RSUs and 27,547 shares of PRSUs at a grant stock price of \$37.49. Based on our current projections, we recognized approximately \$0.1 million of stock-based compensation for the three and six months ended April 30, 2022. As of April 30, 2022, there was \$2.3 million of unrecognized stock-based compensation costs related to non-vested RSUs and PRSUs, which the Company expects to recognize over a weighted-average period of 2.5 years. The total fair value of the restricted stock units at April 30, 2022, is approximately \$2.3 million.

Stock Options

Stock options are granted with exercise prices of not less than the fair market value at grant date, generally vest over one to five years and generally expire two to five years after the vest date. We settle stock option exercises with newly issued shares of common stock.

We measure compensation cost for all stock-based awards at fair value on the date of grant and recognize compensation expense in our consolidated statements of operations over the service period that the awards are expected to vest. We measure the fair value of our stock-based compensation awards on the date of grant.

A summary of stock option activity, related to our 2011 and 2020 Plans, is as follows (in thousands, except for weighted-average exercise price):

	<u>Number of Shares</u>	<u>Weighted-Average Exercise Price</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at October 31, 2021	19	\$ 42.89	
Exercised	(2)	\$ 23.48	
Outstanding at April 30, 2022	<u>17</u>	<u>\$ 47.62</u>	<u>\$ 193</u>
Exercisable at April 30, 2022	<u>12</u>	<u>\$ 51.12</u>	<u>\$ 179</u>

At April 30, 2022, outstanding and exercisable stock options had a weighted-average remaining contractual term of 2.9 years. The total recognized and unrecognized stock-based compensation expense was insignificant for the three and six months ended April 30, 2022 and 2021.

[Other events](#)[Other events](#)**7. Other events*****Dividend payment***

On December 3, 2021, we paid a \$1.15 per share dividend in the aggregate amount of \$20.3 million to shareholders of record on November 12, 2021.

Litigation

From time to time, we are involved in litigation arising in the ordinary course of our business that we do not believe will have a material adverse effect on our financial statements.

Mexico tax audits

We conduct business both domestically and internationally and, as a result, one or more of our subsidiaries files income tax returns in U.S. federal and various foreign jurisdictions. Accordingly, in the normal course of business, we are subject to examination by taxing authorities, primarily in Mexico and the United States.

2011 Assessment

On June 16, 2021 Calavo reached a settlement agreement with the Ministry of Finance and Administration of the government of the State of Mexico regarding a 2011 Assessment of approximately \$2.2 billion Mexican pesos related to income tax, flat rate business tax and value added tax. Calavo paid approximately \$47.8 million Mexican pesos (approximately \$2.4 million USD) as a full and final settlement of all taxes, fines, and penalties.

2013 Assessment

In January 2017, we received preliminary observations from the Servicio de Administracion Tributaria in Mexico (the "SAT") related to an audit outlining certain proposed adjustments primarily related to intercompany funding, deductions for services from certain vendors/suppliers and IVA. We filed a rebuttal to these preliminary observations during our second fiscal quarter of 2017. During the period from our third fiscal quarter of 2017 through the first quarter of 2018, we attempted to resolve our case with the SAT through the conclusive agreement submitted before PRODECON (Mexican Tax Ombudsman). Meetings attended by representatives of the SAT, Calavo de Mexico (CDM) and the PRODECON. However, we were unable to materially resolve our case through the PRODECON process.

As a result, in July 2018, the SAT's local office in Uruapan issued to CDM a final tax assessment (the "2013 Assessment") totaling approximately \$153.5 million USD (which includes annual adjustments for inflation, and equals approximately \$129.5 million USD at April 30, 2022) related to Income Tax, Flat Rate Business Tax, and Value Added Tax, related to this fiscal 2013 tax audit. This amount has been adjusted for inflation as of April 30, 2022 to the amount of \$3.08 billion USD (\$153.5 million USD). Additionally, the tax authorities have determined that we owe our employee's profit-sharing liability, totaling approximately \$5.9 million USD (approx. \$5.9 million USD at April 30, 2022). In August 2018, we filed an Administrative Appeal on the 2013 Assessment, appealing our case to the legal department in Michoacan.

On June 25, 2021, we became aware that the Administrative Appeal had been resolved by the SAT against CDM on March 12, 2021, and that we did not timely respond to and challenge the SAT's notification of such resolution, therefore rendering the 2013 Assessment as definitive. Consequently, the fixed assets of CDM, with a net book value of approximately \$26 million USD, and on bank accounts of CDM totaling approximately \$1 million USD were frozen under the 2013 Assessment. Based on legal counsel from our tax advisory firm, we and our tax advisory firm have concluded that the March notification was not communicated.

On August 27, 2021, we filed a formal complaint, or *queja*, (the "Complaint") before the PRODECON to request its assistance with having the 2013 Assessment Reconsideration. The Complaint was withdrawn in September, but may still be reinstated if deemed appropriate in the future.

On August 18, 2021, we filed an Administrative Reconsideration (the Reconsideration) before the Central Legal Department of the SAT located in Michoacan, asserting that the resolution in March of the Administrative Appeal was wrongly concluded, in particular with respect to the following matters:

- Failure to recognize CDM as a "maquiladora"
- Considering the Company to have a permanent establishment in Mexico,
- Including fruit purchase deposits transferred by the Company to CDM as taxable,
- Application of 16% IVA tax to fruit purchase deposits; and
- Imposing double-taxation on the fruit purchase transactions

On August 20, 2021 we filed an Annulment Suit (the Annulment Suit) with the Federal Tax Court, which among other things, strongly contended that the resolution made by the SAT to CDM and its designated advisors of the resolution of the Administrative Appeal in March 2021 were not legally communicated. The Annulment Suit asserts the same matters central to the Reconsideration, as described above, as wrongly concluded in the resolution of the Administrative Appeal.

On September 22, 2021, we had an initial in-person meeting with the SAT in Mexico City to formally present and discuss the Reconsideration and to review our Reconsideration in more detail; however, on January 3, 2022, the SAT formally rejected our request for the Reconsideration. In response to the SAT's rejection on January 21, 2022, we filed an injunction suit (*the "Amparo"*) with a federal district court seeking to nullify the arguments against the Reconsideration on constitutional grounds.

On February 4, 2022, we had a follow-up meeting with the SAT in Mexico City to begin a dialog with the objective of reaching a settlement of the 2013 Assessment. The SAT agreed in principle to continue this dialog, but requested that we provide a financial guaranty to secure the related tax as a pre-requisite to continue the dialog.

On February 25, 2022, we filed an additional injunction in which we seek to have the liens against the bank accounts of CDM lifted. The injunction was accepted by the court and we are expecting a response by September 2022. The main purpose of the injunction suit was to challenge the SAT's rejection of the Reconsideration, and with that, to keep the Reconsideration alive until the injunction suit is decided. This would allow time to continue the discussion with the SAT.

administrative level and would give SAT the legal basis to issue a new resolution in terms of what may be agreed in the ongoing discussions with CDM. This represents a further opportunity as well for a Court of Law to analyze this matter from a constitutional perspective.

The injunction suit has been admitted for analysis by the District Court, however, SAT filed a complaint (*queja*) against the ruling allowing CDM to file the injunction suit aiming to appoint as a defendant other than SAT's authority that were involved in the reconsideration appeal's resolution. This complaint allows SAT to challenge the admission and analysis of the injunction suit; this complaint is expected to be decided by the Circuit Courts within the next few months.

On March 10, 2022, we met with the SAT and offered an Administrative Guaranty (*Embargo en Via Administrativa*) to secure the 2013 Assessment. Once the Administrative Guaranty is in place, the existing liens over the assets of CDM will be removed and the SAT collection process will be suspended.

On March 4, 2022, the Annulment Suit was formally accepted by the Federal Tax Court, which simultaneously granted a provisional suspension of proceedings by the SAT. The acceptance by the court of the Annulment Suit renders the 2013 Assessment as non-definitive, until such time as the court issues a final ruling.

On April 27, 2022, the SAT provided a Positive Compliance Opinion to CDM, and consequently on April 29, 2022, the Tax Authority renewed the 2013 Assessment for CDM. These two resolutions signal a positive development on the Tax controversies in Mexico.

On April 29, 2022, we submitted all the documentation required to the Tax Authority and the Federal Tax Court to continue with the consideration of the Administrative Guaranty. Once the Administrative Guaranty is ruled and accepted by the FTC and tax authority, they will permanently suspend and remove the liens on the bank accounts of CDM.

While we continue to believe that the 2013 Assessment is completely without merit, and that we will prevail on the Annulment Suit in the Tax Court, it is in the best interest of CDM and the Company to settle the 2013 Assessment as quickly as possible. Furthermore, we believe that the above actions will encourage the SAT to agree to reach a settlement. In accordance with our cumulative probability analysis on uncertain tax positions, our recent settlement with SAT in other cases, the 2011 Assessment settlement reached by CDM with the MFM, and the value of CDM assets, we recorded a provision of \$1.5 million in the quarter of fiscal 2021, as a discrete item in Income Tax Provision. The provision includes estimated penalties, interest and inflationary adjustments. This provision remains appropriate as of April 30, 2022 based on our cumulative probability analysis. We incurred \$0.5 million and \$0.8 million of legal expenses in the three and six months ended April 30, 2022, which have been recorded in Expenses related to Mexican Tax matters.

Fair Value Measurements

6 Months Ended
Apr. 30, 2022

[Fair Value Measurements](#)

[Fair Value Measurements](#)

8. Fair value measurements

A fair value measurement is determined based on the assumptions that a market participant would use in pricing an asset or liability. A three-tiered hierarchy draws distinctions between market participant assumptions based on (i) observable inputs such as quoted prices in active markets (Level 1), (ii) inputs other than quoted prices in active markets that are observable either directly or indirectly (Level 2) and (iii) unobservable inputs that require the Company to use present value and other valuation techniques in the determination of fair value (Level 3).

The following table sets forth our financial assets and liabilities as of April 30, 2022 that are measured on a recurring basis during the period, segregated by level within the fair value hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>(All amounts are presented in thousands)</u>			
Assets at Fair Value at April 30, 2022:				
Investment in Limoneira Company ⁽¹⁾	\$20,027	-	-	\$20,027
Total assets at fair value	<u>\$20,027</u>	<u>-</u>	<u>-</u>	<u>\$20,027</u>
Assets at Fair Value at October 31, 2021:				
Investment in Limoneira Company ⁽¹⁾	\$27,055	-	-	\$27,055
Total assets at fair value	<u>\$27,055</u>	<u>-</u>	<u>-</u>	<u>\$27,055</u>

- (1) The investment in Limoneira Company consists of marketable securities in the Limoneira Company common stock. We currently own approximately 9% of Limoneira's outstanding common stock. These securities are measured at fair value using quoted market prices. For the three months ended April 30, 2022 and 2021, we recognized losses of \$4.9 million and gains of \$3.5 million, respectively, on the consolidated condensed statements of operations. For the six months ended April 30, 2022 and 2021, we recognized losses of \$7.0 million and gains of \$7.1 million, respectively, on the consolidated condensed statement of operations.

Noncontrolling interest

6 Months Ended
Apr. 30, 2022

[Noncontrolling interest.](#)
[Noncontrolling interest](#)

9. Noncontrolling interest

The following table reconciles shareholders' equity attributable to noncontrolling interest related to Avocados de Jalisco (in thousands).

Avocados de Jalisco noncontrolling interest	Three months ended April 30,	
	2022	2021
Noncontrolling interest, beginning	\$ 1,251	\$ 1,432
Net loss attributable to noncontrolling interest of Avocados de Jalisco	(85)	(47)
Noncontrolling interest, ending	<u>\$ 1,166</u>	<u>\$ 1,385</u>
Avocados de Jalisco noncontrolling interest	Six months ended April 30,	
	2022	2021
Noncontrolling interest, beginning	\$ 1,368	\$ 1,472
Net loss attributable to noncontrolling interest of Avocados de Jalisco	(202)	(87)
Noncontrolling interest, ending	<u>\$ 1,166</u>	<u>\$ 1,385</u>

Earnings per share

[Earnings per share](#)
[Earnings per share](#)

6 Months Ended
Apr. 30, 2022

10. Earnings per share

Basic and diluted net income per share is calculated as follows (data in thousands, except per share data):

	Th
	2022
Numerator:	
Net income (loss) attributable to Calavo Growers, Inc.	\$ (15)
Denominator:	
Weighted average shares – Basic	17,6
Effect of dilutive securities – Restricted stock/units/options (1)	-
Weighted average shares – Diluted	17,6
Net income (loss) per share attributable to Calavo Growers, Inc:	
Basic	\$ (0.0)
Diluted	\$ (0.0)

	Th
	2022
Numerator:	
Net Income (loss) attributable to Calavo Growers, Inc.	\$ (4)
Denominator:	
Weighted average shares - Basic	17
Effect on dilutive securities – Restricted stock/units/options (1)	-
Weighted average shares - Diluted	17
Net income (loss) per share attributable to Calavo Growers, Inc:	
Basic	\$
Diluted	\$

- (1) For the three and six months ended April 30, 2022 approximately 92,000 shares and 59,000 shares of common stock equivalents were excluded from the calculation of diluted net loss per share, as the effect would be anti-dilutive since the Company reported a net loss.

**Mexican IVA taxes
receivable**

**6 Months Ended
Apr. 30, 2022**

**Mexican IVA taxes
receivable**

Mexican IVA taxes receivable

11. Mexican IVA taxes receivable

Included in other assets are tax receivables due from the Mexican government for value-added taxes (“IVA”) paid in advance. CDM is charged certain expenditures in Mexico, which, insofar as they relate to the exportation of goods, translate into IVA amounts recoverable from the Mexican

As of April 30, 2022, and October 31, 2021, CDM IVA receivables totaled \$39.8 million (819.2 million Mexican pesos) and \$37.5 million (760 million Mexican pesos). Historically, CDM received IVA refund payments from the Mexican tax authorities on a timely basis. Beginning in fiscal 2014 and continuing through fiscal 2016, the Mexican tax authorities began carrying out more detailed reviews of our refund requests and our supporting documentation. Additionally, they are also questioning IVA amounts requested attributable to IVA paid to certain suppliers that allegedly did not fulfill their own tax obligations. We believe these factors and others have contributed to delays in the processing of IVA claims by the Mexican tax authorities. Currently, we are in the process of collecting such balances primarily through regular collection processes, but these amounts may ultimately need to be recovered through Administrative Appeals and/or legal means.

During the first quarter of fiscal 2017, the tax authorities informed us that their internal opinion, based on the information provided by the local tax authorities, was that CDM is not properly documented relative to its declared tax structure and therefore CDM cannot claim the refundable IVA balance. CDM has been providing supporting documentation to sustain its declared tax structure for IVA and income tax purposes. CDM started an Administrative Appeal for the IVA amounts for the months of July, August and September of 2015 (the “2015 Appeal”) in order to assert its argument that CDM is properly documented and to the satisfaction of its internal assessment. In August 2018, we received a favorable ruling from the SAT’s Legal Administration in Michoacan on the 2015 Appeal indicating that CDM’s legal interpretation of its declared tax structure is indeed accurate. While favorable on this central matter of CDM’s declared tax structure, the ruling does not recognize the taxpayers right to a full refund for the IVA related to the months of July, August and September 2015. Therefore, in October 2018, CDM filed a substance-over-form Annulment Suit in the Federal Tax Court to recover its full refund for IVA over the subject period, which is currently pending.

In April 2022, the Tax Court issued the ruling for the months of July, August and September 2015 through which it was declared that the following issues were resolved:

- It is recognized that CDM operates as a maquila under the authorization of the Ministry of Finance.
- It is recognized that all bank deposits corresponding to the purchase of avocados on behalf of Calavo Growers Inc. (CGI), are subject to VAT and it is not accruable income for purposes of Income Tax nor activities subject to VAT.
- It is recognized that VAT is recoverable, since CDM demonstrated the existence of operations carried under the maquila services.
- Resolved that certain VAT amounts attributed to the purchase of certain packing materials are not recoverable as CDM was not the buyer of the materials, therefore did not pay for the materials, which approximated \$6.9 million pesos (approximately \$0.3 million USD).

On May 9, 2022, the Company filed an appeal against the ruling which resolved that certain VAT amounts are not recoverable.

While the latest court resolution sustains the Company’s position that it is entitled to substantially all of its VAT amounts, the Company is also appealing the resolution of the VAT receivable. In the unlikely event of an unfavorable resolution of the Administrative Appeals, we plan to file Annulment Suits in the Federal Tax Court. If these suits result in an unfavorable ruling, there is an option to appeal to the Collegiate Circuit Court. The estimated time for resolution of these suits could be 2 – 3 years.

We believe that our operations in Mexico are properly documented, and our internationally recognized tax advisors believe that there are sufficient grounds for collecting the corresponding IVA amounts. With assistance from our internationally recognized tax advisory firm, as of April 30, 2022, CDM has filed appeals for months for which IVA refunds have been denied by the SAT, and will continue filing such appeals for any months for which refunds are denied. It is probable that the Mexican tax authorities will ultimately authorize the refund of the corresponding IVA amounts.

Credit Facility

6 Months Ended
Apr. 30, 2022

[Revolving Credit Facilities](#) [Revolving Credit Facilities](#)

12. Credit Facility

On December 1, 2021, we entered into the Fourth and Fifth Amendments to the Credit Agreement with Bank of America, N.A., as administrator (together with Farm Credit West, PCA (together with Bank of America, the “Lenders”), relating to our Credit Agreement dated as of June 14, 2019 (the “Credit Agreement”). The Fourth and Fifth Amendments, among other terms, included CDM as a guarantor, increased the interest rate by 0.5% and amended the financial covenant requirements as follows:

- The Fixed Charge Coverage Ratio (FCCR) covenant was waived for the quarters ended October 31, 2021, January 31, 2022 and April 30, 2022 and will resume for the quarter ended July 31, 2022.
- The quarterly FCCR covenant was replaced by a cumulative monthly minimum Consolidated EBITDA covenant, with the first measurement period ending January 31, 2022 for the three months then ended, and continuing monthly thereafter through June 2022.
- Consolidated financial statements must be submitted monthly for the month and year-to-date period, beginning with the financial statements for the quarter ended November 2021 and continuing through June 2022.

The Company also pledged the 1,677,000 shares it holds of Limoneira stock as collateral (which was in addition to the general business assets of the Company already secured to secure the credit facility).

The above terms and conditions will remain in effect until such time as the Company has certified compliance with a 1.15 to 1.0 minimum FCCR for three consecutive fiscal quarters.

As of January 31, 2022, the Company was not in compliance with the cumulative monthly minimum Consolidated EBITDA covenant, and the Coverage Ratio (CLR) covenant. In March 2022, the Company and the Lenders entered into the Sixth Amendment, Limited Waiver, and Limited Consent to Non-Compliance (the “Sixth Amendment”). The Sixth Amendment, among other terms, waived the non-compliance of the financial covenants as of January 31, 2022 and the financial covenant requirements as follows:

- The cumulative monthly minimum Consolidated EBITDA testing has been waived and the CLR covenant testing is waived through July 31, 2022.
- Minimum Consolidated EBITDA of \$3 million, \$3 million and \$5 million for the months of February, March and April 2022 will be required.
- Monthly cumulative FCCR of 1.20 starting with the quarter ended April 30, 2022, converting to trailing 12 months calculation starting with the quarter ended April 30, 2022 and quarterly thereafter. For April through September 2022, dividends paid in December 2021 are included on a pro-rata basis.

The interest rate of the facility increased to BSBY plus 3.0%, until the first business day of the month after we certify that no default or event of default has occurred for a period ended July 31, 2022, at which point the interest rate will range between BSBY plus 1.25 – 1.75% based on our CLR. The total facility reduced to \$80 million and will be limited to a borrowing base consisting of the sum of eligible accounts receivable (80%), eligible US inventory (50%), and less grower payables.

As of April 30, 2022, we were in compliance with the financial covenants, and we expect to remain in compliance through June 2023. As of April 30, 2022, approximately \$5.6 million was available for borrowing, based on our borrowing base calculation, as discussed above.

COVID-19 Pandemic Impact

6 Months Ended

Apr. 30, 2022

COVID-19 Pandemic Impact

COVID-19 Pandemic Impact

13. COVID-19 Pandemic Impact

The COVID-19 pandemic has created challenging and unprecedented conditions for our business, and we are committed to taking action in support of a Company-wide response to the crisis. The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains, changed certain purchasing norms in retail and foodservice channels and created significant volatility and disruption of financial markets. This has resulted in inflationary and cost pressures that have significantly increased, and continue to adversely impact, our production and distribution costs, including costs of raw materials, packaging, labor, and freight. We are also experiencing pressure in our supply chain due to strained transportation capacity and lack of sufficient labor availability. We believe, however, that we are well-positioned for the future as we continue to navigate the crisis and have successfully implemented contingency plans in the U.S. and in Mexico to monitor the evolving needs of our businesses, as well as those related to our Peru partner in consignment avocado sales.

The effects of the pandemic have been more pronounced in the portions of our business servicing foodservice customers and to a lesser extent certain segments of our retail business, including behind-the-glass deli and grab-and-go convenience items.

While many of such restrictions have since been lifted, the pace of the recovery from the COVID-19 pandemic is not presently known. Additionally, we cannot forecast future variants or the impact on our business of such variants, if any. We cannot reasonably estimate the duration or extent of the pandemic's adverse impact on our business, operating results, and long-term liquidity position.

Closure of RFG Florida facility

**6 Months Ended
Apr. 30, 2022**

Closure of RFG Florida facility

Closure of RFG Florida facility

14. Closure of RFG Florida facility

On November 15, 2021, the Green Cove facility of RFG has ceased operations. The Company's Fresh avocado operations at this facility will continue in operation and are not affected. RFG will continue to serve customers of this location from its other food processing locations, primarily in Georgia.

The closure resulted in a reduction of 140 employees, impairment of leasehold improvements, writedowns of inventory and other assets, and certain cash expenditures for the relocation of machinery and equipment and the closure of the leased facilities. During the fourth quarter of fiscal 2021, we wrote down \$8.7 million of leasehold improvements, \$0.1 million of equipment, and \$0.6 million of inventory (recognized through cost of goods sold). We also paid \$0.4 million in employee severance. The impairment related to the RFG Florida closure has been recorded on the face of the income statement under "Impairment and charges related to RFG Florida facility closure".

As of April 30, 2022 and October 31, 2021, the Company had right of use assets with a net book value of \$4.2 million and \$4.8 million respectively, and lease liabilities of \$5.4 million and \$6.0 million, respectively, recorded on the balance sheet related to the closed facility. The facility lease has a maturity date of October 31, 2031. The Company intends to seek a sub-lease tenant to assume the vacated space, and believes such a sub-lease can be obtained at a lease rate, and for a lease period, sufficient to realize the right of use asset. Management will continue to evaluate the actual amounts and duration of expected future sub-lease revenues. Should the actual sub-lease revenues be less than those currently expected, the Company may need to record impairment of some or all of its investment in the right of use asset.

During the three and six months ended April 30, 2022, we incurred \$0.3 million and \$1.0 million of incremental restructuring and related costs due to the transition to other facilities.

**Description of the business
(Policies)**

**6 Months Ended
Apr. 30, 2022**

Description of the business

Business

Business

Calavo Growers, Inc. (referred to in this report as “Calavo”, the “Company”, “we”, “us” or “our”), is a global leader in the avocado industry and a provider of value-added fresh food. Our expertise in marketing and distributing avocados, prepared avocados, and other perishable foods allows us to deliver a wide array of fresh and prepared food products to retail grocery, foodservice, club stores, mass merchandisers, food distributors and wholesalers on a worldwide basis. We procure avocados from California, Mexico and other growing regions around the world. Through our various operating facilities, we (i) sort, pack, and/or ripen avocados, tomatoes and/or Hawaiian grown papayas, (ii) create, process and package a portfolio of healthy fresh foods including fresh-cut fruit and vegetables, and prepared foods and (iii) process and package guacamole and salsa. We distribute our products both domestically and internationally and report our operations in three different business segments: Fresh products, Renaissance Food Group (RFG) and Calavo Foods.

The accompanying unaudited consolidated condensed financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, the accompanying unaudited consolidated condensed financial statements contain all adjustments, consisting of adjustments of a normal recurring nature necessary to present fairly the Company’s financial position, results of operations and cash flows. The results of operations for interim periods are not necessarily indicative of the results that may be expected for a full year. These statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended October 31, 2021.

**Recently Adopted Accounting
Pronouncements**

Recently Adopted Accounting Standards

In December 2019, the Financial Accounting Standards Board issued ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes," which amends and simplifies the accounting for income taxes by removing certain exceptions and providing new guidance to reduce complexity in certain aspects of the current guidance. This guidance was adopted by the Company during the first quarter of 2022 and did not impact the Company’s financial statements or related disclosures.

Information regarding our operations in different segments (Tables)

6 Months Ended

Apr. 30, 2022

[Information regarding our operations in different segments](#)

[Schedule of sales by product and segment](#)

The sales data in the following tables is presented in thousands:

	Three months ended April 30, 2022				Three months ended April 30, 2021			
	Fresh products	RFG	Calavo Foods	Total	Fresh products	RFG	Calavo Foods	Total
Avocados	\$191,754	\$ —	\$ —	\$191,754	\$146,359	\$ —	\$ —	\$146,359
Tomatoes	17,353	—	—	17,353	13,433	—	—	13,433
Papayas	2,743	—	—	2,743	2,647	—	—	2,647
Other fresh income	8	—	—	8	126	—	—	126
Fresh-cut fruit	—	48,829	—	48,829	—	48,006	—	48,006
Fresh-cut vegetables	—	26,777	—	26,777	—	25,215	—	25,215
Prepared products	—	27,380	20,809	48,189	—	23,790	20,915	44,705
Salsa	—	—	403	403	—	—	696	696
Total gross sales	211,858	102,986	21,212	336,056	162,565	97,011	21,611	281,187
Less sales allowances	(861)	(827)	(1,397)	(3,085)	(879)	(722)	(875)	(2,476)
Less inter-company eliminations	(486)	—	(1,067)	(1,553)	(717)	—	(1,173)	(1,890)
Net sales	<u>\$210,511</u>	<u>\$102,159</u>	<u>\$18,748</u>	<u>\$331,418</u>	<u>\$160,969</u>	<u>\$96,289</u>	<u>\$19,563</u>	<u>\$276,821</u>

[Schedule of segment gross margin](#)

	Fresh products	RFG	Calavo Foods	Interco. Elimin.	Total
(All amounts are presented in thousands)					
Three months ended April 30, 2022					
Net sales	\$210,997	\$102,159	\$19,815	\$(1,553)	\$331,418
Cost of sales	192,841	99,915	18,474	(1,553)	309,677
Gross profit	<u>\$ 18,156</u>	<u>\$ 2,244</u>	<u>\$ 1,341</u>	<u>\$ —</u>	<u>\$ 21,741</u>
Three months ended April 30, 2021					
Net sales	\$161,686	\$ 96,289	\$20,736	\$(1,890)	\$276,821
Cost of sales	146,678	94,001	15,432	(1,890)	254,221
Gross profit	<u>\$ 15,008</u>	<u>\$ 2,288</u>	<u>\$ 5,304</u>	<u>\$ —</u>	<u>\$ 22,600</u>

[Schedule of long-lived assets by geographic areas](#)

Long-lived assets attributed to geographic areas as of April 30, 2022 and October 31, 2021, are as follows (in thousands):

	United States	Mexico	Consolidated
April 30, 2022	\$ 78,604	\$36,174	\$ 114,778
October 31, 2021	\$ 81,059	\$37,221	\$ 118,280

Inventories (Tables)

6 Months Ended Apr. 30, 2022

[Inventories](#)

[Schedule of Inventories](#)

Inventories consist of the following (in thousands):

	<u>April 30,</u> <u>2022</u>	<u>October 31,</u> <u>2021</u>
Fresh fruit	\$31,633	\$ 17,648
Packing supplies and ingredients	14,539	13,088
Finished prepared foods	7,445	10,021
Total	<u>\$53,617</u>	<u>\$ 40,757</u>

**Other assets and Intangibles
(Tables)**

**6 Months Ended
Apr. 30, 2022**

Other assets and Intangibles
Schedule of Other Assets

Other assets consist of the following (in thousands):

	<u>April 30, 2022</u>	<u>October 31, 2021</u>
Mexican IVA (i.e. value-added) taxes receivable (see note 11)	\$39,830	\$ 37,493
Infrastructure advances to Agricola Belher	1,641	1,641
Bridge loan to Agricola Belher	2,600	—
Other	674	1,366
Total	<u>\$44,745</u>	<u>\$ 40,500</u>

Schedule of Intangible Assets

Intangible assets consist of the following (in thousands):

	Weighted- Average Useful Life	April 30, 2022			October 31, 2021		
		Gross Carrying Value	Accum. Amortization	Net Book Value	Gross Carrying Value	Accum. Amortization	Net Book Value
Customer list/ relationships	7 years	\$17,340	\$ (10,681)	\$6,659	\$17,340	\$ (9,989)	\$7,351
Trade names	11 years	4,060	(3,040)	1,020	4,060	(2,980)	1,080
Trade secrets/ recipes	9 years	630	(592)	38	630	(567)	63
Brand name intangibles	indefinite	275	—	275	275	—	275
Intangibles, net		<u>\$22,305</u>	<u>\$ (14,313)</u>	<u>\$7,992</u>	<u>\$22,305</u>	<u>\$ (13,536)</u>	<u>\$8,769</u>

**Stock-Based Compensation
(Tables)**

**6 Months Ended
Apr. 30, 2022**

Stock-Based Compensation

Restricted Stock Activity

A combined summary of restricted stock award activity, related to our 2011 and 2020 Plans, is as follows (in thousands, except for per share amounts):

	<u>Number of Shares</u>	<u>Weighted-Average Grant Price</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at October 31, 2021	43	\$ 64.89	
Vested	(31)	\$ 45.44	
Forfeited	(1)	\$ 44.57	
Granted	64	\$ 41.88	
Outstanding at April 30, 2022	<u>75</u>	<u>\$ 44.08</u>	<u>\$ 2,718</u>

Stock Option Activity

A summary of stock option activity, related to our 2011 and 2020 Plans, is as follows (in thousands, except for weighted-average exercise price):

	<u>Number of Shares</u>	<u>Weighted-Average Exercise Price</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at October 31, 2021	19	\$ 42.89	
Exercised	(2)	\$ 23.48	
Outstanding at April 30, 2022	<u>17</u>	<u>\$ 47.62</u>	<u>\$ 193</u>
Exercisable at April 30, 2022	<u>12</u>	<u>\$ 51.12</u>	<u>\$ 179</u>

**Fair Value Measurements
(Tables)**

**6 Months Ended
Apr. 30, 2022**

Fair Value Measurements
Financial assets measured on
recurring basis

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
(All amounts are presented in thousands)				
Assets at Fair Value at April 30, 2022:				
Investment in Limoneira Company ⁽¹⁾	\$20,027	-	-	\$20,027
Total assets at fair value	<u>\$20,027</u>	<u>-</u>	<u>-</u>	<u>\$20,027</u>
Assets at Fair Value at October 31, 2021:				
Investment in Limoneira Company ⁽¹⁾	\$27,055	-	-	\$27,055
Total assets at fair value	<u>\$27,055</u>	<u>-</u>	<u>-</u>	<u>\$27,055</u>

-
- (1) The investment in Limoneira Company consists of marketable securities in the Limoneira Company common stock. We currently own approximately 9% of Limoneira's outstanding common stock. These securities are measured at fair value using quoted market prices. For the three months ended April 30, 2022 and 2021, we recognized losses of \$4.9 million and gains of \$3.5 million, respectively, on the consolidated condensed statements of operations. For the six months ended April 30, 2022 and 2021, we recognized losses of \$7.0 million and gains of \$7.1 million, respectively, on the consolidated condensed statement of operations.

**Noncontrolling interest
(Tables)**

**6 Months Ended
Apr. 30, 2022**

Noncontrolling interest.

**Reconciliation of shareholders' equity
attributable to noncontrolling interest**

The following table reconciles shareholders' equity attributable to noncontrolling interest related to Avocados de Jalisco (in thousands).

<u>Avocados de Jalisco noncontrolling interest</u>	Three months ended April 30,	
	2022	2021
Noncontrolling interest, beginning	\$ 1,251	\$ 1,432
Net loss attributable to noncontrolling interest of Avocados de Jalisco	(85)	(47)
Noncontrolling interest, ending	<u>\$ 1,166</u>	<u>\$ 1,385</u>
	Six months ended April 30,	
<u>Avocados de Jalisco noncontrolling interest</u>	2022	2021
Noncontrolling interest, beginning	\$ 1,368	\$ 1,472
Net loss attributable to noncontrolling interest of Avocados de Jalisco	(202)	(87)
Noncontrolling interest, ending	<u>\$ 1,166</u>	<u>\$ 1,385</u>

Earnings per share (Tables)

6 Months Ended Apr. 30, 2022

[Earnings per share](#)

[Schedule of basic and diluted net income per share](#)

Basic and diluted net income per share is calculated as follows (data in thousands, except per share data):

	Three months ended April 30,	
	2022	2021
Numerator:		
Net income (loss) attributable to Calavo Growers, Inc.	\$ (191)	\$ 8,841
Denominator:		
Weighted average shares – Basic	17,664	17,619
Effect of dilutive securities – Restricted stock/units/options (1)	—	60
Weighted average shares – Diluted	<u>17,664</u>	<u>17,679</u>
Net income (loss) per share attributable to Calavo Growers, Inc:		
Basic	\$ (0.01)	\$ 0.50
Diluted	\$ (0.01)	\$ 0.50

	Six months ended April 30,	
	2022	2021
Numerator:		
Net Income (loss) attributable to Calavo Growers, Inc.	\$ (4,234)	\$ 14,118
Denominator:		
Weighted average shares - Basic	17,659	17,609
Effect on dilutive securities – Restricted stock/units/options (1)	—	59
Weighted average shares - Diluted	<u>17,659</u>	<u>17,668</u>
Net income (loss) per share attributable to Calavo Growers, Inc:		
Basic	\$ (0.24)	\$ 0.80
Diluted	\$ (0.24)	\$ 0.80

**Description of the business
(Details)** **6 Months Ended
Apr. 30, 2022
segment**

[Description of the business](#)

[Number of reportable segments](#) 3

Information regarding our operations in different segments - Product (Details) \$ in Thousands	3 Months Ended		6 Months Ended	
	Apr. 30, 2022 USD (\$)	Apr. 30, 2021 USD (\$)	Apr. 30, 2022 USD (\$) segment	Apr. 30, 2021 USD (\$)
<u>Segment reporting information</u>				
<u>Number of reportable segments segment</u>			3	
<u>Net sales</u>	\$ 331,418	\$ 276,821	\$ 605,510	\$ 497,399
<u>Fresh products [Member]</u>				
<u>Segment reporting information</u>				
<u>Net sales</u>	210,511	160,969	372,492	275,902
<u>RFG [Member]</u>				
<u>Segment reporting information</u>				
<u>Net sales</u>	102,159	96,289	197,923	186,595
<u>Calavo Foods [Member]</u>				
<u>Segment reporting information</u>				
<u>Net sales</u>	18,748	19,563	35,095	34,902
<u>Operating segments</u>				
<u>Segment reporting information</u>				
<u>Total gross sales</u>	336,056	281,187	614,720	506,023
<u>Less sales allowances</u>	(3,085)	(2,476)	(6,272)	(5,089)
<u>Operating segments Avocados [Member]</u>				
<u>Segment reporting information</u>				
<u>Total gross sales</u>	191,754	146,359	342,258	250,130
<u>Operating segments Tomatoes [Member]</u>				
<u>Segment reporting information</u>				
<u>Total gross sales</u>	17,353	13,433	27,340	22,619
<u>Operating segments Papayas [Member]</u>				
<u>Segment reporting information</u>				
<u>Total gross sales</u>	2,743	2,647	5,783	5,397
<u>Operating segments Other fresh income [Member]</u>				
<u>Segment reporting information</u>				
<u>Total gross sales</u>	8	126	33	454
<u>Operating segments Fresh-cut fruit</u>				
<u>Segment reporting information</u>				
<u>Total gross sales</u>	48,829	48,006	92,202	90,950
<u>Operating segments Fresh-cut vegetables</u>				
<u>Segment reporting information</u>				
<u>Total gross sales</u>	26,777	25,215	54,863	54,804
<u>Operating segments Prepared products</u>				
<u>Segment reporting information</u>				
<u>Total gross sales</u>	48,189	44,705	91,417	80,261
<u>Operating segments Salsa</u>				
<u>Segment reporting information</u>				

Total gross sales	403	696	824	1,408
Operating segments Fresh products [Member]				
Segment reporting information				
Total gross sales	211,858	162,565	375,414	278,600
Less sales allowances	(861)	(879)	(1,832)	(1,455)
Operating segments Fresh products [Member] Avocados [Member]				
Segment reporting information				
Total gross sales	191,754	146,359	342,258	250,130
Operating segments Fresh products [Member] Tomatoes [Member]				
Segment reporting information				
Total gross sales	17,353	13,433	27,340	22,619
Operating segments Fresh products [Member] Papayas [Member]				
Segment reporting information				
Total gross sales	2,743	2,647	5,783	5,397
Operating segments Fresh products [Member] Other fresh income [Member]				
Segment reporting information				
Total gross sales	8	126	33	454
Operating segments RFG [Member]				
Segment reporting information				
Total gross sales	102,986	97,011	199,263	188,262
Less sales allowances	(827)	(722)	(1,340)	(1,667)
Operating segments RFG [Member] Fresh-cut fruit				
Segment reporting information				
Total gross sales	48,829	48,006	92,202	90,950
Operating segments RFG [Member] Fresh-cut vegetables				
Segment reporting information				
Total gross sales	26,777	25,215	54,863	54,804
Operating segments RFG [Member] Prepared products				
Segment reporting information				
Total gross sales	27,380	23,790	52,198	42,508
Operating segments Calavo Foods [Member]				
Segment reporting information				
Total gross sales	21,212	21,611	40,043	39,161
Less sales allowances	(1,397)	(875)	(3,100)	(1,967)
Operating segments Calavo Foods [Member] Prepared products				
Segment reporting information				
Total gross sales	20,809	20,915	39,219	37,753
Operating segments Calavo Foods [Member] Salsa				
Segment reporting information				
Total gross sales	403	696	824	1,408

Intersegment Eliminations [Member]

Segment reporting information

Net sales (1,553) (1,890) (2,938) (3,535)

Intersegment Eliminations [Member] | Fresh products [Member]

Segment reporting information

Net sales (486) (717) (1,090) (1,243)

Intersegment Eliminations [Member] | Calavo Foods [Member]

Segment reporting information

Net sales \$ (1,067) \$ (1,173) \$ (1,848) \$ (2,292)

Information regarding our operations in different segments - Gross Profit (Details) - USD (\$) \$ in Thousands	3 Months Ended		6 Months Ended	
	Apr. 30, 2022	Apr. 30, 2021	Apr. 30, 2022	Apr. 30, 2021
<u>Segment reporting information</u>				
<u>Net sales</u>	\$ 331,418	\$ 276,821	\$ 605,510	\$ 497,399
<u>Cost of sales</u>	309,677	254,221	570,541	456,960
<u>Gross profit</u>	21,741	22,600	34,969	40,439
<u>Elimination between Fresh products and RFG</u>				
<u>Segment reporting information</u>				
<u>Sales and cost of sales eliminated</u>	500	700	1,100	1,200
<u>Elimination between Calavo Foods and RFG</u>				
<u>Segment reporting information</u>				
<u>Sales and cost of sales eliminated</u>	1,100	1,200	1,800	2,300
<u>Operating segments Fresh products [Member]</u>				
<u>Segment reporting information</u>				
<u>Net sales</u>	210,997	161,686	373,582	277,145
<u>Cost of sales</u>	192,841	146,678	343,760	248,992
<u>Gross profit</u>	18,156	15,008	29,822	28,153
<u>Operating segments RFG [Member]</u>				
<u>Segment reporting information</u>				
<u>Net sales</u>	102,159	96,289	197,923	186,595
<u>Cost of sales</u>	99,915	94,001	196,331	184,329
<u>Gross profit</u>	2,244	2,288	1,592	2,266
<u>Operating segments Calavo Foods [Member]</u>				
<u>Segment reporting information</u>				
<u>Net sales</u>	19,815	20,736	36,943	37,194
<u>Cost of sales</u>	18,474	15,432	33,388	27,174
<u>Gross profit</u>	1,341	5,304	3,555	10,020
<u>Intersegment Eliminations [Member]</u>				
<u>Segment reporting information</u>				
<u>Net sales</u>	(1,553)	(1,890)	(2,938)	(3,535)
<u>Cost of sales</u>	\$ (1,553)	\$ (1,890)	\$ (2,938)	\$ (3,535)

Information regarding our operations in different segments - Geographic (Details) - USD (\$) \$ in Thousands	3 Months Ended		6 Months Ended		
	Apr. 30, 2022	Apr. 30, 2021	Apr. 30, 2022	Apr. 30, 2021	Oct. 31, 2021
<u>Segment reporting information</u>					
<u>Net sales</u>	\$ 331,418	\$ 276,821	\$ 605,510	\$ 497,399	
<u>Long-lived assets</u>	114,778		114,778		\$ 118,280
<u>Foreign currency gains (losses)</u>	300	500	900	(600)	
<u>Outside United States</u>					
<u>Segment reporting information</u>					
<u>Net sales</u>	8,300	\$ 8,800	15,400	\$ 16,900	
<u>United States [Member]</u>					
<u>Segment reporting information</u>					
<u>Long-lived assets</u>	78,604		78,604		81,059
<u>Mexico [Member]</u>					
<u>Segment reporting information</u>					
<u>Long-lived assets</u>	\$ 36,174		\$ 36,174		\$ 37,221

Inventories (Details) - USD
(\$)

Apr. 30, 2022 Oct. 31, 2021

\$ in Thousands

Inventories

<u>Fresh fruit</u>	\$ 31,633	\$ 17,648
<u>Packing supplies and ingredients</u>	14,539	13,088
<u>Finished prepared foods</u>	7,445	10,021
<u>Total inventories</u>	53,617	40,757
<u>Inventory valuation reserves</u>	\$ 400	\$ 200

Related party transactions (Details) - USD (\$) \$ in Thousands	1	3 Months Ended			6 Months Ended			
	Months Ended Oct. 31, 2020	Apr. 30, 2022	Apr. 30, 2021	Jan. 31, 2021	Apr. 30, 2022	Apr. 30, 2021	Oct. 31, 2021	Jul. 31, 2021
<u>Related Party Transaction [Line Items]</u>								
<u>Investments in unconsolidated entities</u>		\$ 3,802			\$ 3,802		\$ 4,346	
<u>Advances to suppliers</u>		\$ 7,904			7,904		\$ 6,693	
<u>Avocados de Jalisco</u>								
<u>Related Party Transaction [Line Items]</u>								
<u>Purchases from related parties</u>			\$ 1,000		\$ 3,500	\$ 3,200		
<u>Avocados de Jalisco Avocados de Jalisco</u>								
<u>Related Party Transaction [Line Items]</u>								
<u>Subsidiary ownership (as a percent)</u>		83.00%			83.00%			
<u>Limoneira [Member]</u>								
<u>Related Party Transaction [Line Items]</u>								
<u>Dividend income from Limoneira</u>		\$ 100	100		\$ 200	200		
<u>Rent paid</u>		\$ 100	100		\$ 200	200		
<u>Non-equity method investment ownership (as a percent)</u>		9.00%			9.00%		9.00%	
<u>Don Memo</u>								
<u>Related Party Transaction [Line Items]</u>								
<u>Purchases from related parties</u>		\$ 500	400		\$ 3,900	3,900		
<u>Ownership interest (as a percent)</u>		50.00%			50.00%		50.00%	
<u>Investments in unconsolidated entities</u>		\$ 3,800			\$ 3,800		\$ 4,300	
<u>Advances to suppliers</u>		4,200			4,200		4,200	
<u>Commitment amount</u>	\$ 2,400							
<u>Loan receivable fixed interest rate (as a percent)</u>	7.25%							
<u>Amount loaned</u>	\$ 700		600	\$ 700				
<u>Infrastructure advance</u>		2,000			2,000			
<u>Don Memo Prepaid Expenses and Other Current Assets [Member]</u>								
<u>Related Party Transaction [Line Items]</u>								
<u>Infrastructure advance</u>		400			400			
<u>Don Memo Other long-term assets</u>								
<u>Related Party Transaction [Line Items]</u>								
<u>Infrastructure advance</u>		\$ 1,600			\$ 1,600			
<u>Don Memo Agricola Belher [Member] Don Memo</u>								
<u>Related Party Transaction [Line Items]</u>								
<u>Ownership interest (as a percent)</u>		50.00%			50.00%			
<u>Director [Member]</u>								

Related Party Transaction [Line Items]

<u>Purchases from related parties</u>	\$ 1,400	5,000	\$ 1,600	5,000
<u>Accounts payable to related parties</u>	500		500	0

Agricola Belher [Member]

Related Party Transaction [Line Items]

<u>Purchases from related parties</u>	14,600	\$ 11,200	18,000	\$ 14,500
<u>Advances to suppliers</u>	1,800		1,800	4,500
<u>Transaction amount</u>			1,000	

<u>Bridge loan to related parties</u>				\$ 3,500
---------------------------------------	--	--	--	----------

<u>Loan receivable fixed interest rate (as a percent)</u>				10.00%
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<u>Infrastructure advance</u>	900		900	\$ 900
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<u>Expected payment 2022</u>				\$ 900
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<u>Expected payment 2023</u>				900
------------------------------	--	--	--	-----

<u>Expected payment 2024</u>				\$ 1,700
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Agricola Belher [Member] | Prepaid Expenses and Other Current Assets [Member]

Related Party Transaction [Line Items]

<u>Bridge loan to related parties</u>	900		900	
---------------------------------------	-----	--	-----	--

Agricola Belher [Member] | Other long-term assets

Related Party Transaction [Line Items]

<u>Bridge loan to related parties</u>	\$ 2,600		\$ 2,600	
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Other assets and Intangibles
- Other (Details) - USD (\$)
\$ in Thousands

Apr. 30, 2022 Oct. 31, 2021

CONSOLIDATED CONDENSED BALANCE SHEETS (UNAUDITED)

<u>Mexican IVA (i.e. value-added) taxes receivable</u>	\$ 39,830	\$ 37,493
<u>Infrastructure advances to Agricola Belher</u>	1,641	1,641
<u>Bridge loan to Agricola Belher</u>	2,600	
<u>Other</u>	674	1,366
<u>Other assets</u>	\$ 44,745	\$ 40,500

**Other assets and Intangibles
- Intangibles (Details) - USD**

6 Months Ended

(\$)

Apr. 30, 2022 Oct. 31, 2021

\$ in Thousands

Finite-Lived Intangible Assets

<u>Accum. Amortization</u>	\$ (14,313)	\$ (13,536)
<u>Intangibles, net</u>	7,992	8,769
<u>Finite and indefinite lived intangible assets gross</u>	22,305	22,305

Brand name intangibles [Member]

Finite-Lived Intangible Assets

<u>Gross carrying value and net book value</u>	\$ 275	275
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Customer list/relationships [Member]

Finite-Lived Intangible Assets

<u>Weighted-Average Useful Life</u>	7 years	
<u>Gross Carrying Value</u>	\$ 17,340	17,340
<u>Accum. Amortization</u>	(10,681)	(9,989)
<u>Net Book Value</u>	\$ 6,659	7,351

Trade names [Member]

Finite-Lived Intangible Assets

<u>Weighted-Average Useful Life</u>	11 years	
<u>Gross Carrying Value</u>	\$ 4,060	4,060
<u>Accum. Amortization</u>	(3,040)	(2,980)
<u>Net Book Value</u>	\$ 1,020	1,080

Trade secrets/recipes [Member]

Finite-Lived Intangible Assets

<u>Weighted-Average Useful Life</u>	9 years	
<u>Gross Carrying Value</u>	\$ 630	630
<u>Accum. Amortization</u>	(592)	(567)
<u>Net Book Value</u>	\$ 38	\$ 63

Other assets and Intangibles
- Amortization (Details)
\$ in Millions

Apr. 30, 2022
USD (\$)

[Goodwill and Intangible Assets Disclosure \[Abstract\]](#)

<u>Amortization expense for remainder of fiscal 2022</u>	\$ 0.8
<u>Amortization expense for 2023</u>	1.5
<u>Amortization expense for 2024</u>	1.5
<u>Amortization expense for 2025</u>	1.5
<u>Amortization expense thereafter</u>	\$ 2.4

Stock-Based Compensation - Narrative (Details) - USD (\$) \$ / shares in Units, \$ in Millions	Apr. 01, 2022	Feb. 01, 2022	Jan. 20, 2022	Jan. 03, 2022	Dec. 13, 2021	Apr. 21, 2021	3 Months Ended		6 Months Ended	
							Apr. 30, 2022	Apr. 30, 2021	Apr. 30, 2022	Apr. 30, 2021
Restricted Stock [Member]										
Share-based Compensation										
Shares granted (in shares)										64,000
Stock closing price awarded (in dollars per share)										\$ 41.88
Stock-based compensation expense							\$ 0.8	\$ 1.4	\$ 1.4	\$ 2.3
Unrecognized stock based compensation expenses							1.5		1.5	
Restricted Stock [Member] Officer										
Share-based Compensation										
Shares granted (in shares)					5,355					
Stock closing price awarded (in dollars per share)					\$ 40.53					
Vesting period					2 years					
Stock-based compensation expense							0.1		0.1	
Restricted Stock [Member] Director [Member]										
Share-based Compensation										
Shares granted (in shares)				28,140						
Stock closing price awarded (in dollars per share)				\$ 42.64						
Stock-based compensation expense							0.3		0.4	
Number of shares granted per Director				2,814						
Restricted Stock [Member] Brian Kocher										
Share-based Compensation										
Shares granted (in shares)		28,993								
Stock closing price awarded (in dollars per share)		\$ 41.39								
Vesting period		3 years								
Stock-based compensation expense							0.1		0.1	
Unrestricted Stock Director [Member]										
Share-based Compensation										

<u>Shares granted (in shares)</u>	1,500		
<u>Stock closing price awarded (in dollars per share)</u>	\$ 41.73		
<u>Stock-based compensation expense</u>		0.1	0.1
<u>RSU and PRSU</u>			
<u>Share-based Compensation</u>			
<u>Stock closing price awarded (in dollars per share)</u>	\$ 37.49		
<u>Stock-based compensation expense</u>		0.1	0.1
<u>Fair value, non option</u>			2.3
<u>Unrecognized stock based compensation expenses</u>		\$ 2.3	\$ 2.3
<u>Unrecognized compensation cost period</u>			2 years 6 months
<u>RSU</u>			
<u>Share-based Compensation</u>			
<u>Shares granted (in shares)</u>	34,269		
<u>PRSU</u>			
<u>Share-based Compensation</u>			
<u>Shares granted (in shares)</u>	27,547		
<u>Stock Options [Member]</u>			
<u>Minimum [Member]</u>			
<u>Share-based Compensation</u>			
<u>Award expiration period</u>			2 years
<u>Vesting period</u>			1 year
<u>Stock Options [Member]</u>			
<u>Maximum [Member]</u>			
<u>Share-based Compensation</u>			
<u>Award expiration period</u>			5 years
<u>Vesting period</u>			5 years
<u>2020 Management Incentive Plan [Member]</u>			
<u>Share-based Compensation</u>			
<u>Common stock shares authorized (in shares)</u>		1,500,000	
<u>Award expiration period</u>		5 years	

**Stock-Based Compensation -
 Restricted Stock (Details) -
 Restricted Stock [Member]
 \$ / shares in Units, shares in
 Thousands, \$ in Thousands**

**6 Months Ended
 Apr. 30, 2022
 USD (\$)
 \$ / shares
 shares**

Share-based Compensation

<u>Outstanding, Number of Shares, Beginning Balance shares</u>	43
<u>Vested, Number of Shares shares</u>	(31)
<u>Forfeited, Number of Shares shares</u>	(1)
<u>Granted, Number of Shares shares</u>	64
<u>Outstanding, Number of Shares, Ending Balance shares</u>	75
<u>Outstanding, Weighted-Average Exercise Price, balance balance \$ / shares</u>	\$ 64.89
<u>Vested, Weighted-Average Grant Price \$ / shares</u>	45.44
<u>Forfeited, Weighted-Average Grant Price \$ / shares</u>	44.57
<u>Granted, Weighted-Average Grant Price \$ / shares</u>	41.88
<u>Outstanding, Weighted-Average Exercise Price, ending balance \$ / shares</u>	\$ 44.08
<u>Aggregate Intrinsic Value \$</u>	\$ 2,718

**Stock-Based Compensation -
 Stock Option (Details) -
 Stock Options [Member]
 \$ / shares in Units, shares in
 Thousands, \$ in Thousands**

**6 Months Ended
 Apr. 30, 2022
 USD (\$)
 \$ / shares
 shares**

Share-based Compensation

<u>Outstanding, Number of Shares, Beginning Balance shares</u>	19
<u>Exercised, Number of Shares shares</u>	(2)
<u>Outstanding, Number of Shares, Ending Balance shares</u>	17
<u>Exercisable, Number of Shares shares</u>	12
<u>Outstanding, Weighted-Average Exercise Price \$ / shares</u>	\$ 42.89
<u>Exercised, Weighted-Average Exercise Price \$ / shares</u>	23.48
<u>Outstanding, Weighted-Average Exercise Price, ending balance \$ / shares</u>	47.62
<u>Exercisable, Weighted-Average Exercise Price \$ / shares</u>	\$ 51.12
<u>Outstanding, Aggregate Intrinsic Value \$</u>	\$ 193
<u>Exercisable, Aggregate Intrinsic Value \$</u>	\$ 179
<u>Outstanding stock options, weighted-average remaining contractual term</u>	2 years 10 months 24 days

Other Events (Details) \$ / shares in Units, \$ in Thousands, \$ in Millions	Dec.		1	3	6 Months					
	03, 2021 USD (\$) \$/ shares	Jun. 16, 2021 USD (\$)	Jun. 16, 2021 MXN (\$)	Months Ended Jul. 31, 2018 MXN (\$)	Months Ended Apr. 30, 2022 USD (\$)	Months Ended Apr. 30, 2022 USD (\$)	Months Ended Apr. 30, 2021 USD (\$)	Months Ended Apr. 30, 2022 MXN (\$)	Months Ended Jul. 31, 2021 USD (\$)	Months Ended Jun. 25, 2021 USD (\$)
Dividend declared per share \$ / shares	\$ 1.15									
Dividend amount paid to shareholders	\$ 20,300					\$ 20,330	\$ 20,343			
Expenses related to Mexican tax matters				\$ 478	845					
Mexican Tax Authority Tax Assessment 2011										
Tax assessment			\$ 2,200.0							
Discreet tax expense (benefit)	\$ 2,400	\$ 47.8								
Mexican Tax Authority Tax Assessment 2013										
Amount disputed				\$ 2,600.0	129,500					
Estimate of loss					153,500	153,500	\$ 3,080.0			
Fixed assets net book value under lien									\$ 26,000	
Bank accounts under lien									\$ 1,000	
Tax dispute liability accrued								\$ 11,000		
Expenses related to Mexican tax matters					500	800				
Mexican Tax Authority Tax Assessment 2013 Employee Profit Sharing Liability										
Estimate of loss				\$ 5,900	\$ 5,900		\$ 118.0			

Fair Value Measurements (Details) - USD (\$) \$ in Thousands	3 Months Ended Apr. 30, 2022	6 Months Ended Apr. 30, 2021	3 Months Ended Apr. 30, 2022	6 Months Ended Apr. 30, 2021	Oct. 31, 2021
<u>Assets at Fair Value:</u>					
<u>Unrealized net gain (loss) on Limoneira shares Limoneira [Member]</u>	\$ (4,898)	\$ 3,506	\$ (7,028)	\$ 7,095	
<u>Assets at Fair Value:</u>					
<u>Non-equity method investment ownership (as a percent)</u>	9.00%		9.00%		9.00%
<u>Unrealized net gain (loss) on Limoneira shares Fair Value, Measurements, Recurring [Member]</u>	\$ (4,900)	\$ 3,500	\$ (7,000)	\$ 7,100	
<u>Assets at Fair Value:</u>					
<u>Total assets at fair value Fair Value, Measurements, Recurring [Member] Limoneira [Member]</u>	20,027		20,027		\$ 27,055
<u>Assets at Fair Value:</u>					
<u>Investment in Limoneira Company Fair Value, Measurements, Recurring [Member] Level 1 [Member]</u>	20,027		20,027		27,055
<u>Assets at Fair Value:</u>					
<u>Total assets at fair value Fair Value, Measurements, Recurring [Member] Level 1 [Member] Limoneira [Member]</u>	20,027		20,027		27,055
<u>Assets at Fair Value:</u>					
<u>Investment in Limoneira Company</u>	\$ 20,027		\$ 20,027		\$ 27,055

Noncontrolling Interest (Details) - USD (\$) \$ in Thousands	3 Months Ended		6 Months Ended	
	Apr. 30, 2022	Apr. 30, 2021	Apr. 30, 2022	Apr. 30, 2021
<u>Noncontrolling Interest [Line Items]</u>				
<u>Noncontrolling interest, beginning</u>			\$ 1,368	
<u>Net loss attributable to noncontrolling interest of Avocados de Jalisco</u>	\$ (85)	\$ (47)	(202)	\$ (87)
<u>Noncontrolling interest, ending</u>	1,166		1,166	
<u>Avocados de Jalisco</u>				
<u>Noncontrolling Interest [Line Items]</u>				
<u>Noncontrolling interest, beginning</u>	1,251	1,432	1,368	1,472
<u>Net loss attributable to noncontrolling interest of Avocados de Jalisco</u>	(85)	(47)	(202)	(87)
<u>Noncontrolling interest, ending</u>	\$ 1,166	\$ 1,385	\$ 1,166	\$ 1,385

Earnings Per Share (Details) - USD (\$) \$ / shares in Units, shares in Thousands, \$ in Thousands	3 Months Ended				6 Months Ended	
	Apr. 30,	Jan. 31,	Apr. 30,	Jan. 31,	Apr. 30,	Apr. 30,
	2022	2022	2021	2021	2022	2021
<u>Earnings per share</u>						
<u>Net income (loss) attributable to Calavo Growers, Inc.</u>	\$ (191)	\$ (4,043)	\$ 8,841	\$ 5,277	\$ (4,234)	\$ 14,118
<u>Weighted average shares - Basic (in shares)</u>	17,664		17,619		17,659	17,609
<u>Effect of dilutive securities - Restricted stock/ options (in shares)</u>			60			59
<u>Weighted average shares - Diluted (in shares)</u>	17,664		17,679		17,659	17,668
<u>Basic (in dollars per shares)</u>	\$ (0.01)		\$ 0.50		\$ (0.24)	\$ 0.80
<u>Diluted (in dollars per shares)</u>	\$ (0.01)		\$ 0.50		\$ (0.24)	\$ 0.80
<u>Antidilutive shares excluded from EPS (in shares)</u>	92				59	

Mexican IVA taxes receivable (Details) \$ in Millions, \$ in Millions	1 Months Ended			
	Apr. 30, 2022	Apr. 30, 2022	Oct. 31, 2021	Oct. 31, 2021
	USD (\$)	MXN (\$)	USD (\$)	MXN (\$)
<u>IVA receivables</u>				
<u>IVA receivables balance</u>	\$ 39.8	\$ 819.2	\$ 37.5	\$ 762.1
<u>Unrecoverable value added tax</u>	\$ 0.3	\$ 6.9		
<u>Minimum [Member]</u>				
<u>IVA receivables</u>				
<u>Estimated term for resolution of law suits</u>	2 years			
<u>Maximum [Member]</u>				
<u>IVA receivables</u>				
<u>Estimated term for resolution of law suits</u>	3 years			

Credit Facilities (Details) \$ in Thousands	Dec. 01, 2021 shares	1 Months Ended		Oct. 31, 2021 USD (\$)
		Mar. 31, 2022 USD (\$)	Apr. 30, 2022 USD (\$)	
Debt Instrument [Line Items]				
Borrowings pursuant to credit facilities, long-term Revolving Credit Facility			\$ 41,900	\$ 37,700
Debt Instrument [Line Items]				
Basis point increase	0.50%			
Fixed charge coverage ratio	1.15	1.20		
Credit available under borrowing agreement		\$ 80,000	100,000	
Remaining credit available			\$ 5,600	
Revolving Credit Facility February 2022				
Debt Instrument [Line Items]				
Minimum Consolidated EBITDA		3,000		
Revolving Credit Facility March 2022				
Debt Instrument [Line Items]				
Minimum Consolidated EBITDA		3,000		
Revolving Credit Facility April 2022				
Debt Instrument [Line Items]				
Minimum Consolidated EBITDA		\$ 5,000		
Revolving Credit Facility Limoneira [Member]				
Debt Instrument [Line Items]				
Investment shares held (in shares) shares	1,677,000			
Revolving Credit Facility BSBY				
Debt Instrument [Line Items]				
Applicable margin (as a percent)		3.00%		
Revolving Credit Facility BSBY Minimum [Member] July 2022				
Debt Instrument [Line Items]				
Applicable margin (as a percent)		1.25%		
Revolving Credit Facility BSBY Maximum [Member] July 2022				
Debt Instrument [Line Items]				
Applicable margin (as a percent)		1.75%		

Closure of RFG Florida facility (Details) \$ in Thousands	3 Months Ended		6 Months Ended
	Apr. 30, 2022 USD (\$)	Oct. 31, 2021 USD (\$)	Apr. 30, 2022 USD (\$) employee
Closure			
<u>Operating lease right-of-use assets</u>	\$ 57,042	\$ 59,842	\$ 57,042
Impairment and other charges			
<u>Incremental restructuring and related costs</u> <u>Project Uno, RFG food processing</u>			\$ 317
Closure			
<u>Employee reduction employee</u>			140
<u>Operating lease right-of-use assets</u>	4,200	4,800	\$ 4,200
<u>Operating lease liability</u>	5,400	6,000	5,400
Impairment and other charges			
<u>Leasehold improvements</u>		8,700	
<u>Equipment</u>		100	
<u>Inventory</u>		600	
<u>Employee severance</u>		\$ 400	
<u>Incremental restructuring and related costs</u>	\$ 300		\$ 1,000

1. The first part of the document discusses the importance of maintaining accurate records of all transactions and activities. It emphasizes the need for transparency and accountability in financial reporting.

2. The second part of the document outlines the various methods used to collect and analyze data. It includes a detailed description of the sampling process and the statistical techniques employed to ensure the reliability of the results.

3. The third part of the document presents the findings of the study. It highlights the key trends and patterns observed in the data, as well as the implications of these findings for the industry and the broader economy.

4. The fourth part of the document discusses the limitations of the study and suggests areas for future research. It acknowledges the potential biases and limitations of the data and the methods used, and provides recommendations for how these issues can be addressed in future studies.

5. The fifth part of the document concludes the study and summarizes the main findings. It reiterates the importance of accurate record-keeping and the need for ongoing research in this area.

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3. The third part of the document presents the results of the study, including a comparison of the different methods and techniques used. It discusses the strengths and weaknesses of each method and provides a summary of the findings.

4. The fourth part of the document discusses the implications of the study and provides recommendations for future research. It highlights the need for further investigation into the effectiveness of the different methods and techniques used.

5. The fifth part of the document provides a conclusion and a summary of the key findings. It emphasizes the importance of maintaining accurate records and the need for transparency and accountability in financial reporting.

6. The sixth part of the document provides a list of references and a bibliography. It includes a list of all the sources used in the study and provides a detailed description of each source.

7. The seventh part of the document provides a list of appendices and a bibliography. It includes a list of all the appendices used in the study and provides a detailed description of each appendix.

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10. The tenth part of the document provides a list of equations and a bibliography. It includes a list of all the equations used in the study and provides a detailed description of each equation.

