AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON APRIL 24, 2001.

REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

CALAVO GROWERS, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

CALIFORNIA	0600	33-0945304
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

2530 RED HILL AVENUE
SANTA ANA, CALIFORNIA 92705-5542
(949) 223-1111
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

EGIDIO CARBONE, JR.
VICE PRESIDENT, FINANCE AND CORPORATE SECRETARY
CALAVO GROWERS, INC.
2530 RED HILL AVENUE
SANTA ANA, CALIFORNIA 92705-5542
(949) 223-1111
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

COPY TO:
MARC L. BROWN
TROY & GOULD PROFESSIONAL CORPORATION
1801 CENTURY PARK EAST, 16TH FLOOR
LOS ANGELES, CALIFORNIA 90067-2367
(310) 789-1269

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE OF THE SECURITIES TO THE PUBLIC:
As soon as practicable after this Registration Statement becomes effective.

If the securities being registered on this Form are to be offered in connection with the formation of a holding company and there is compliance with General Instruction G, please check the following box. [ ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER SHARE	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE	AMOUNT OF REGISTRATION FEE
Common Stock, par value $0.001 per share.....................	10,000,000(1)	$1.72(2)	$17,200,000(2)	$4,300.00(3)

(1) Based upon an estimate of the maximum number of shares of the capital stock of Calavo Growers of California that will be exchanged for shares of the common stock of Calavo Growers, Inc. in the merger described herein.

(2) Calculated in accordance with Rule 457(f)(2) under the Securities Act based upon the book value as of February 28, 2001 of the shares of the capital stock of Calavo Growers of California to be exchanged in the merger described herein.

(3) Calculated by multiplying the proposed maximum aggregate offering price by .00025.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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CALAVO GROWERS OF CALIFORNIA
CALAVO GROWERS, INC.
2530 RED HILL AVENUE
SANTA ANA, CALIFORNIA 92705
(949) 223-1111

INFORMATION STATEMENT/PROSPECTUS

To the shareholders of Calavo Growers of California:

The Board of Directors unanimously recommends the conversion of Calavo Growers of California ("CALAVO") from a California nonprofit cooperative association into a California for-profit corporation called Calavo Growers, Inc. ("NEW CALAVO"). After the conversion, New Calavo will conduct Calavo's business and will own all of Calavo's assets. However, the business will be conducted on a for-profit basis rather than on a nonprofit cooperative basis.

To accomplish the conversion, Calavo will merge into New Calavo, which is a newly organized California corporation. Each share of Calavo's preferred or common stock that is outstanding on the effective date of the merger will be exchanged for one share of the common stock of New Calavo. The common stock of New Calavo will not be listed on a securities exchange or the Nasdaq stock market. A copy of the merger agreement is attached as Appendix A to this Information Statement/Prospectus and is incorporated into this document.

The conversion and the merger agreement require the approval of Calavo's shareholders and lenders. You may vote if you owned shares of Calavo stock as of the close of business on   , 2001, which has been fixed by the Board of Directors as the record date for determining the shareholders who are entitled to vote on the merger.

Please vote by completing and mailing the enclosed ballot in the envelope provided. Please deliver your ballot to Calavo by   , 2001. If you fail to return a completed ballot, the effect will be the same as a vote against the conversion. You may vote only by using the enclosed ballot.

WE STRONGLY URGE YOU TO REVIEW THIS ENTIRE INFORMATION STATEMENT/PROSPECTUS, INCLUDING THE "RISK FACTORS" SECTION BEGINNING ON PAGE 6. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION THAT IS DIFFERENT FROM THE INFORMATION CONTAINED IN THIS INFORMATION STATEMENT/PROSPECTUS.

CALAVO'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE IN FAVOR OF THE CONVERSION OF CALAVO INTO A FOR-PROFIT CORPORATION BY VOTING IN FAVOR OF THE CONVERSION AND THE MERGER AGREEMENT.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SECURITIES TO BE ISSUED IN THE MERGER OR DETERMINED IF THIS INFORMATION STATEMENT/ PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This Information Statement/Prospectus is dated   , 2001 and is being mailed to shareholders on or about that date.

Sincerely,

Lee Cole
Chairman, Chief Executive Officer and President

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WHERE YOU CAN FIND MORE INFORMATION

Following the conversion, New Calavo will file annual, quarterly and special reports and proxy statements with the Securities and Exchange Commission (the "SEC"). You may read and copy any reports, proxy statements and other documents that the company files with the SEC at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549 and at regional public reference rooms in New York, New York and Chicago, Illinois. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms. The reports, proxy statements and any other documents that New Calavo files with the SEC will also be available from commercial document retrieval services and at the SEC's web site (http://www.sec.gov). In addition, New Calavo intends to furnish its shareholders with annual reports containing financial statements audited by an independent certified accounting firm.

New Calavo has filed with the SEC a Registration Statement on Form S-4 that registers the offer and sale of the common stock that will be issued in connection with the merger between Calavo and New Calavo. This Information Statement/Prospectus is a part of that Registration Statement. As allowed by the SEC's rules, this Information Statement/Prospectus does not contain all of the information that you can find in the Registration Statement or all of the exhibits to the Registration Statement.

YOU SHOULD RELY ONLY ON THE INFORMATION THAT IS CONTAINED IN THIS INFORMATION STATEMENT/PROSPECTUS. WE HAVE NOT AUTHORIZED ANY OTHER PERSON TO PROVIDE YOU WITH DIFFERENT INFORMATION. IF ANYONE PROVIDES YOU WITH DIFFERENT OR INCONSISTENT INFORMATION, YOU SHOULD NOT RELY ON IT. FURTHERMORE, INFORMATION THAT IS CONTAINED ON CALAVO'S WEB SITE DOES NOT CONSTITUTE A PART OF THIS DOCUMENT. WE ARE NOT MAKING AN OFFER TO SELL THESE SECURITIES IN ANY JURISDICTION WHERE THE OFFER OR SALE IS NOT PERMITTED. YOU SHOULD ASSUME THAT THE INFORMATION CONTAINED IN THIS INFORMATION STATEMENT/PROSPECTUS IS ACCURATE ONLY AS OF THE DATE ON THE FRONT COVER OF THIS DOCUMENT. OUR BUSINESS, FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS MAY HAVE CHANGED SINCE THAT DATE.

FORWARD-LOOKING STATEMENTS

We make forward-looking statements in this Information Statement/Prospectus that represent our expectations or beliefs about future events and financial performance. Forward-looking statements are identifiable by words such as "believe," "anticipate," "expect," "intend," "plan," "will," "may" and other similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. Forward-looking statements are subject to known and unknown risks and uncertainties, including those described under "Risk Factors" and elsewhere in this document. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this document might not occur. In addition, actual results could differ materially from those suggested by the forward-looking statements, and therefore you should not place undue reliance on the forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

QUESTIONS AND ANSWERS ABOUT THE CONVERSION

Q. Why has Calavo's Board of Directors proposed converting the cooperative from a nonprofit corporation into a California for-profit corporation?

A. In order to maintain its status as an agricultural cooperative, Calavo must conduct a majority of its business with members. Calavo will not satisfy this requirement in 2001 and probably will not satisfy this requirement in subsequent years. To satisfy the requirement, Calavo would need to restructure its corporate organization into two separate businesses. In the Board's view, this would weaken the cooperative. Conversion to a for-profit corporation may also enable Calavo to raise equity capital by issuing stock.

Q. How will the conversion occur?

A. Calavo will merge into New Calavo, which will assume ownership of all of Calavo's business and assets on the effective date of the merger. The merger will not change Calavo's day-to-day operations.

Q. What vote is required to approve the conversion?

A. The conversion must be approved by a majority of all common shareholders, voting separately as a class, and by a majority of the outstanding shares of preferred stock, voting separately as a class. However, the Board of Directors will not elect to proceed with the conversion unless a substantial majority of Calavo's shareholders approve the conversion. In addition, completion of the conversion is contingent upon receiving approvals from Calavo's lenders and upon satisfying several other conditions specified in the merger agreement.

Q. Will I receive a stock certificate in the new company?

A. No. Calavo uses a "certificateless" system that does not involve the issuance of traditional stock certificates. However, you will receive an announcement of the completion of the conversion and a written statement setting forth the number of shares of stock held by you in New Calavo. You do not need to return any stock certificates or other evidence of ownership in order to establish your stock ownership rights in New Calavo.

Q. Will I incur taxes as a result of the conversion?

A. Subject to the limitations and assumptions described in this Information Statement/Prospectus, Calavo and its shareholders are not expected to incur federal income taxes as a result of the merger of Calavo into New Calavo. Your tax basis in the New Calavo stock that you receive in the merger will be the same as the tax basis in your Calavo stock.

Q. If I vote against the merger, can I require Calavo to repurchase my shares for cash?

A. No. Dissenters' rights and appraisal rights are not available. If the conversion occurs, each Calavo shareholder will receive shares in New Calavo even if he or she voted against the transaction.

Q. How do I know if this is a fair transaction? Did the Board of Directors receive an appraisal of the company or a "fairness opinion"?

A. The Board did not see any need to obtain an appraisal or a fairness opinion. No shareholders are being cashed out, and each shareholder will receive the same number of shares in New Calavo that he or she owns in Calavo. The interests of Calavo's shareholders in New Calavo are not being diluted through the merger, and the net book value of New Calavo will be the same as the net book value of Calavo on the effective date of the conversion.

Q. Who will own Calavo after the conversion?

A. Immediately after the conversion, each current shareholder will have an ownership interest in New Calavo that equals the shareholder's ownership interest in Calavo. The ownership interests of the

shareholders are subject to change after the conversion based upon trades in New Calavo's common stock by shareholders and additional stock issuances that may be made by New Calavo.

Q. Can I continue to sell shares of stock after the conversion? And to whom?

A. The existing mechanism for transferring shares will be retained. New Calavo's stock will not be listed on a securities exchange or the Nasdaq stock market. However, shareholders will be able to engage in privately negotiated purchase and sale transactions. New Calavo will distribute lists of shareholders who have indicated an interest in purchasing or selling shares.

After the conversion of Calavo to for-profit status, a grower who markets avocados through New Calavo will no longer be required to own shares in the corporation. Also, sales of shares to non-growers will be permitted. However, New Calavo will have a right of first refusal to purchase all shares that a shareholder proposes to sell. The right of first refusal will be exercisable for the same purchase price that is offered by the prospective buyer.

Q. Who will control New Calavo?

A. Under the current cooperative structure, each member has only one vote. Each shareholder of New Calavo will have a number of votes equal to the number of shares owned by the shareholder.

Q. How will the directors of New Calavo be elected?

A. The ten current directors of Calavo will serve as the initial directors of New Calavo. Each year, directors of New Calavo will be elected by the shareholders to serve a one-year term. The incumbent Board will have discretion to nominate a director from each district based upon the current ten-district format. A shareholder will not be limited to voting for a director from his or her district as in the current system. Each shareholder will be entitled to vote on a cumulative basis for all of the director positions that are to be filled each year. Under cumulative voting, each share of common stock is entitled to a number of votes equal to the number of directors to be elected, and a shareholder may cast all of his or her votes for a single candidate or may allocate the votes among two or more of the directors to be elected on a basis determined by the shareholder.

Q. What will happen to the value of my shares?

A. That is impossible to predict with any certainty. Based upon the financial performance of the company and its dividend payments (if any), the value of your shares in New Calavo may increase or decrease. There is currently no assurance that the value of your shares in Calavo will increase.

Q. How will dividends be paid?

A. New Calavo's net income will be available for distribution to the shareholders each year on a per share basis. There will be no patronage dividends based upon the volume of avocados delivered by each shareholder. The Board of Directors will continue to have discretion to determine the size of any dividends based upon its assessment of the financial needs of the company.

Q. What will happen to my marketing agreement with Calavo?

A. The existing marketing agreement with Calavo will terminate on the effective date of the conversion. Please sign and return the marketing agreement with New Calavo that is enclosed with this Information Statement/Prospectus. New Calavo will continue to accept all of your avocados, subject to limitations imposed by the character, quantity or marketability of the fruit and the other conditions of the current marketing agreement. The marketing agreement with New Calavo will be renewable on an annual basis. You should review the new marketing agreement for additional details.

Q. How will I be paid for my avocados?

A. The Board of Directors will set a packing and marketing fee on a periodic basis. The packing and marketing fee will cover New Calavo's costs and will include a profit to New Calavo. The fruit will continue to be "pooled," and the net proceeds will be paid to growers.

SUMMARY

THIS SUMMARY HIGHLIGHTS SELECTED INFORMATION FROM THIS DOCUMENT AND DOES NOT CONTAIN ALL OF THE INFORMATION THAT IS IMPORTANT TO YOU. IN ORDER TO UNDERSTAND THE TRANSACTION FULLY, YOU SHOULD READ THIS ENTIRE INFORMATION STATEMENT/PROSPECTUS, INCLUDING THE ATTACHED APPENDICES.

CALAVO

Calavo is a nonprofit cooperative association that is organized under the California Food and Agricultural Code. Its primary purpose is to pack, process and market avocados delivered by its members on a nonprofit cooperative basis. Calavo has approximately 1,560 members, each of whom is required to own shares of Calavo's common stock.

Calavo has operated as a cooperative in accordance with the applicable provisions of the Internal Revenue Code of 1986, as amended, governing cooperatives. Among other things, Calavo has delivered to each member an annual "patronage dividend" that is based primarily upon the quantity of avocados delivered by the member during the year and that represents a return to the member of his or her pro rata share of Calavo's net proceeds of marketing avocados on behalf of members. Calavo also does business with nonmembers of the cooperative on a for-profit basis. Any dividends that the Board of Directors elects to distribute from profits on nonmember business are distributed to each shareholder based upon the number of shares that he or she owns rather than upon the volume of the member's business with Calavo.

NEW CALAVO

New Calavo was incorporated on January 5, 2001 under the California General Corporation Law. It is currently a wholly owned subsidiary of Calavo and was formed for the purpose of merging with Calavo. Its business operations will commence on the effective date of the merger, and it will be taxed under Subchapter C of the Internal Revenue Code. Unlike Calavo, New Calavo is a "for-profit" corporation that is not intended to be operated on a nonprofit cooperative basis. Among other things, New Calavo will be entitled to receive and retain a profit from the marketing agreements that it enters into with shareholders.

BUSINESS ADDRESS

The address of the principal executive office of Calavo and New Calavo is 2530 Red Hill Avenue, Santa Ana, California, 92705, and the telephone number of each corporation is (949) 223-1111.

CONVERSION OF CALAVO TO FOR-PROFIT STATUS BY A MERGER

CALAVO'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS CONVERTING CALAVO INTO A CALIFORNIA FOR-PROFIT CORPORATION. TO ACCOMPLISH THE CONVERSION, CALAVO WILL MERGE INTO NEW CALAVO, AND NEW CALAVO WILL THEREAFTER CONDUCT CALAVO'S BUSINESS OPERATIONS. CALAVO'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE IN FAVOR OF THE MERGER AND THE MERGER AGREEMENT.

ISSUANCE OF NEW CALAVO COMMON STOCK

The conversion will become effective on the date that a merger agreement is filed with the California Secretary of State. Each share of Calavo preferred stock and common stock that is outstanding on the effective date of the conversion will be exchanged for one share of New Calavo common stock.

SHAREHOLDER APPROVAL REQUIRED

The conversion cannot occur without the approval of a majority of Calavo's common shareholders, voting separately as a class, and by a majority of the outstanding shares of preferred stock.

SHAREHOLDERS ENTITLED TO VOTE

You can vote if you owned shares of Calavo stock as of , 2001, which is the record date established by the Board of Directors for determining shareholders entitled to vote. You should vote by completing and mailing the enclosed ballot and delivering it to Calavo in the enclosed envelope no later than , 2001 (or such later date as the Board of Directors may establish and announce in its sole discretion). As of the record date, there are holders of common stock who are entitled to vote on the merger, and there are holders of preferred stock who are entitled to vote on the merger.

A shareholder may vote only by completing and mailing the enclosed ballot. A shareholders' meeting to consider and vote on the conversion will not be held.

CONVERSION CONDITIONS

The completion of the conversion is subject to the satisfaction of several closing conditions, including obtaining shareholder approval and the consents of Calavo's lenders. Even if shareholder approval is obtained, Calavo's Board of Directors will elect not to proceed with the conversion unless a substantial majority of Calavo's shareholders approve the conversion.

NO DISSENTERS' RIGHTS

Under California law, you have no right to demand an appraisal of your Calavo shares in connection with the conversion and to receive a cash payment for the fair value of your shares. Even if you vote against the merger, you will receive shares in New Calavo if the conversion is completed.

POST-CONVERSION TRANSFERS OF SHARES

As is the case with Calavo's stock, a public trading market will not exist for New Calavo's common stock since the stock will not be listed on a securities exchange or the Nasdaq stock market. However, you will be able to buy and sell shares of New Calavo common stock in transactions that you negotiate with other shareholders and with non-shareholders who are interested in becoming shareholders. Each purchase and sale of stock must satisfy any applicable federal and state securities registration exemptions, and New Calavo will have a right of first refusal to purchase all shares that a shareholder proposes to sell, exercisable at the price offered by the proposed purchaser.

Calavo distributes to its shareholders lists of other shareholders who have indicated an interest in purchasing or selling shares of stock. New Calavo will continue this practice after the conversion. New Calavo will not otherwise assist its shareholders in negotiating or completing stock transactions.

POST-CONVERSION MANAGEMENT AND BUSINESS OPERATIONS

The ten current directors of Calavo will serve as the initial directors of New Calavo. Beginning at the first annual shareholders' meeting, directors of New Calavo will be elected for one-year terms. It is anticipated that the officers, employees, day-to-day business operations, properties and production facilities of New Calavo will be similar to those of Calavo.

MARKETING AGREEMENT

Your existing marketing agreement with Calavo will be terminated on the effective date of the conversion. You will need to sign a new marketing agreement. Please complete, sign and return to New Calavo the new marketing agreement that is enclosed with this Information Statement/Prospectus.

DIFFERENCES IN THE RIGHTS OF SHAREHOLDERS

In many respects, your rights as a shareholder of New Calavo will be similar to your rights as a shareholder of Calavo. However, there will be important differences, including the following:

- Each Calavo common shareholder is currently entitled to only one vote, regardless of the number of shares that he or she owns. Preferred shareholders are currently not entitled to vote on any matters except on specific matters expressly required by law such as the proposed conversion. As a New Calavo shareholder, you will have a number of votes equal to the number of shares that you own.

- Each Calavo common shareholder is currently limited to voting for a director from his or her district, and preferred shareholders are not entitled to vote in the election of directors. As a New Calavo shareholder, you will be entitled to cast votes on a cumulative basis for all of the director positions that are to be filled each year.

- Currently, if you terminate your membership in Calavo, you are required to sell your common stock to other members or to convert the common stock into preferred stock that is redeemable by Calavo at $1.00 per share. This requirement will not apply after the conversion. If you terminate your marketing agreement with New Calavo, you will be entitled to retain your shares of common stock.

FEDERAL INCOME TAX CONSEQUENCES

Subject to the limitations and assumptions described in this Information Statement/Prospectus under "The Conversion -- Material Federal Income Tax Consequences," it is anticipated that neither Calavo nor its shareholders will incur federal income taxes as a result of the merger of Calavo into New Calavo. IN VIEW OF THE INDIVIDUAL NATURE OF FEDERAL AND STATE TAX LAW, YOU ARE ADVISED TO CONSULT WITH YOUR INCOME TAX ADVISER REGARDING THE SPECIFIC TAX CONSEQUENCES TO YOU FROM THE MERGER.

FINANCIAL INFORMATION

New Calavo will not commence business operations until the effective date of its merger with Calavo. Financial information regarding Calavo is contained in the sections of this Information Statement/ Prospectus entitled "Selected Condensed Consolidated Financial Data," "Unaudited Pro Forma Condensed Combined Financial Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in the consolidated financial statements and related notes thereto that are included elsewhere in this Information Statement/Prospectus.

COPIES OF THE MERGER AGREEMENT AND NEW CALAVO'S ORGANIZATIONAL DOCUMENTS

WE HAVE ATTACHED TO THIS INFORMATION STATEMENT/PROSPECTUS COPIES OF (1) THE AGREEMENT AND PLAN OF MERGER AND REORGANIZATION BETWEEN CALAVO AND NEW CALAVO, (2) NEW CALAVO'S ARTICLES OF INCORPORATION, (3) NEW CALAVO'S BYLAWS, (4) THE FORM OF MARKETING AGREEMENT THAT WILL BE USED BY NEW CALAVO, AND (5) A RECENT AMENDMENT TO CALAVO'S BYLAWS. THESE DOCUMENTS ARE INCORPORATED BY REFERENCE INTO THIS INFORMATION STATEMENT/PROSPECTUS, AND WE RECOMMEND THAT YOU REVIEW EACH OF THE DOCUMENTS.

RISK FACTORS

YOU SHOULD CONSIDER THE RISKS DESCRIBED BELOW IN EVALUATING WHETHER OR NOT TO APPROVE THE MERGER OF CALAVO INTO NEW CALAVO. YOU SHOULD ALSO REVIEW THE ENTIRE INFORMATION STATEMENT/PROSPECTUS.

RISKS RELATED TO THE CONVERSION

TAX-FREE TREATMENT FOR THE CONVERSION IS NOT ASSURED.

The merger of Calavo into New Calavo is intended to qualify as a nontaxable transaction for both Calavo and its shareholders, but nontaxable treatment cannot be assured. Although Calavo has received a legal opinion that the merger is a nontaxable transaction, the opinion is not binding upon the Internal Revenue Service.

COOPERATIVE TAX TREATMENT WILL BE UNAVAILABLE AFTER THE CONVERSION.

Subchapter T of the Internal Revenue Code provides that, as a cooperative, Calavo does not pay taxes on member-based income as long as it distributes or allocates the income to the members in proportion to their use or patronage of the cooperative within eight and one-half months after the end of the cooperative's tax year. Members agree to take this income into their taxable income even if the income is not distributed to them. Calavo pays normal corporate taxes on all nonmember-based income.

New Calavo will be taxed at corporate rates on its entire net income, including net income that is derived from business done by New Calavo with its growers. Distributions by New Calavo to its shareholders will generally be taxed to the shareholders as corporate dividends. However, shareholders will not be taxed on income that is not distributed to them by New Calavo. The amount paid by New Calavo to a grower for fruit delivered by the grower will be taxed to the grower, which is not a change to current practice.

As a cooperative, Calavo is entitled to satisfy all or a portion of its equity capital requirements by retaining for several years a portion of the proceeds that are otherwise distributable to its members. Calavo does not pay taxes on these retained amounts. After the conversion, New Calavo will be required to pay taxes on any income that it withholds as retained earnings in order to satisfy its equity needs.

There is no historical basis for predicting the impact on Calavo's profitability of converting to a for-profit corporation, particularly in light of the different tax treatment that will be accorded to a for-profit corporation.

DIVIDENDS TO SHAREHOLDERS ARE NOT GUARANTEED AFTER THE CONVERSION.

During the preceding three years, Calavo has distributed to its shareholders substantially all of its net income from business conducted on a for-profit basis with nonmembers. After the conversion, New Calavo may determine that it is advisable to retain all or a substantial portion of its income in order to satisfy capital needs, to support the company's growth and to satisfy more restrictive dividend limitations that may be imposed by lenders. There is no assurance that New Calavo will pay dividends after the conversion or that any dividends that are paid will equal or exceed the previous years' dividends.

NEW CALAVO'S ABILITY TO OBTAIN A SUFFICIENT SUPPLY OF AVOCADOS MAY BE AFFECTED BY THE CONVERSION.

As a cooperative, Calavo is entitled to require each of its shareholder-members to enter into a marketing agreement that obligates the shareholder-member to deliver all of his or her avocados to Calavo. Mandatory marketing agreements help to ensure the cooperative with an adequate supply of avocados. If a member terminates his or her marketing agreement with Calavo and thereby relinquishes membership in Calavo, any of the former member's common stock that is not sold to other members is converted into preferred stock that is redeemable by Calavo at $1.00 per share. The desire of members to

avoid the conversion of their common stock into redeemable preferred stock may contribute to their willingness to maintain marketing agreements with Calavo.

After the conversion, New Calavo will be unable to require its shareholders to enter into marketing agreements. This may impact New Calavo's ability to obtain an adequate supply of avocados. A shareholder will be entitled to retain his or her common stock in New Calavo even if the shareholder does not elect to enter into a marketing agreement with New Calavo or even if the shareholder subsequently elects to terminate the marketing agreement. The ability of New Calavo to secure marketing agreements with growers, including growers who are shareholders, will depend upon the competitiveness of the terms that it offers and the quality of its services.

THE LIMITED ANTITRUST EXEMPTION PROVIDED TO COOPERATIVES WILL NOT BE AVAILABLE TO NEW CALAVO.

Federal and California laws provide limited relief to agricultural cooperatives from certain aspects of the antitrust and unfair competition laws. For example, the members of a cooperative are allowed to agree on a collective sales price for their products; a cooperative's marketing agreements with members are not considered an illegal restraint of trade; and a cooperative may under certain circumstances achieve monopoly power in a given market.

As a non-cooperative, New Calavo will not be entitled to the benefit of these laws. Calavo's Board of Directors has determined that, in light of the increased competition faced by Calavo from other growers, these exemptions from the antitrust and unfair competition laws probably would not be of great benefit to Calavo even if it retained its cooperative status. However, there is no assurance that Calavo is not relinquishing a valuable protection under these laws by converting to a for-profit corporation.

NEW CALAVO'S SHARES WILL HAVE NO PUBLIC TRADING MARKET.

As is the case with Calavo's stock, a public trading market will not exist for the common stock of New Calavo since the stock will not be listed on a securities exchange or the Nasdaq stock market. The Board of Directors may determine at a subsequent date to list New Calavo's stock on a stock exchange or the Nasdaq stock market, but there is no assurance that such listing will ever occur. As a result, you should not assume that your shares of New Calavo stock will be more marketable than your shares of Calavo stock or that the New Calavo stock is more likely to appreciate in value. However, the existing mechanism for buying and selling shares of stock will be maintained after the conversion.

NON-GROWERS COULD GAIN CONTROL OF NEW CALAVO IF THEY PURCHASE LARGE NUMBERS OF SHARES.

Holders of Calavo common stock must be members of Calavo who have entered into marketing agreements with the cooperative, and each member is entitled to only one vote. As a result, control of the cooperative by its members is assured.

Ownership of New Calavo common stock is not limited to growers who have entered into marketing agreements with New Calavo, and each shareholder is entitled to a number of votes equal to the number of shares that are owned by the shareholder. New Calavo will be entitled to issue shares of common stock to non-growers, and any such stock issuances will dilute the proportionate equity ownership interests of shareholders who have marketing agreements with New Calavo. Shareholders will be entitled to retain their common stock after they have ceased to sell avocados to New Calavo, and shareholders will be entitled to sell their stock to purchasers who do not market avocados through New Calavo.

The Bylaws of New Calavo provide the corporation with a right of first refusal to purchase the stock that a shareholder proposes to transfer to another person, although there is no assurance that the corporation will elect to exercise that right or have the funds with which to pay for the shares. The Bylaws state that no person or entity may own more than twenty percent of New Calavo's stock and that transfers of stock to competitors of New Calavo are prohibited, but there is no assurance that these provisions can prevent persons who do not market avocados through New Calavo from obtaining an undesirable degree of control over the corporation.

DIRECTORS AND EXECUTIVE OFFICERS WHO OWN NEW CALAVO STOCK AND ALSO MARKET AVOCADOS THROUGH NEW CALAVO MAY HAVE A CONFLICT OF INTEREST IN ESTABLISHING AN APPROPRIATE PACKING AND MARKETING FEE UNDER THE MARKETING AGREEMENTS.

Directors and executive officers who own New Calavo stock will have a personal financial interest in maximizing the profitability of New Calavo for its shareholders by, among other things, setting a high packing and marketing fee under the marketing agreements with growers. However, directors and executive officers who also market avocados through New Calavo will have a personal financial interest in maximizing growers' profits by setting a low packing and marketing fee under the marketing agreements. Whether a director's or an executive officer's personal financial interest will be best served by a high or low packing and marketing fee may depend upon the relative percentage of New Calavo stock versus avocado acreage that is owned by the director or executive officer. This potential conflict of interest exists under Calavo's current operations as a nonprofit cooperative association.

RISKS RELATED TO CALAVO'S BUSINESS

INCREASING COMPETITION MAY ADVERSELY AFFECT NEW CALAVO.

The market for avocados is highly competitive. Recently, there have been significant plantings of avocados in Mexico, Chile, New Zealand and others parts of the world. In particular, avocados grown by Mexican growers who are not members of Calavo are lower-priced than avocados grown by Calavo's members. Competition from foreign-based growers is likely to increase in future years, and there is no assurance that New Calavo will be able to enter into marketing agreements with those growers. Although there are currently restrictions on the times and states where Mexican avocados may be imported into the United States, there are ongoing requests from Mexican governmental authorities to relax these time and location restrictions. In addition, New Calavo's results of operations may be adversely affected by numerous other factors over which New Calavo will have little or no control, including prevailing market prices for its products, the weather, growing conditions, government regulations and capital expenses.

CALAVO IS SUBJECT TO THE RISKS OF DOING BUSINESS INTERNATIONALLY.

Calavo conducts a substantial amount of business with growers and customers who are located outside the United States. It purchases avocados from foreign growers, sells fresh avocados and processed avocado products to foreign customers and operates a packinghouse and a processing plant in Mexico. For additional information about Calavo's international business operations, see "Business of Calavo."

Calavo's international operations are subject to a number of inherent risks, including:

- Local economic and political conditions, including disruptions in trading and capital markets;

- Restrictive foreign governmental actions, such as restrictions on transfers of funds and trade protection measures, including export duties and quotas and customs duties and tariffs;

- Changes in legal or regulatory requirements affecting foreign investment, loans, taxes, imports and exports; and

- Currency exchange rate fluctuations which, depending upon the nature of the changes, may make Calavo's products more expensive compared to foreign-grown products or may increase Calavo's cost of obtaining foreign-sourced products.

THE CONVERSION

PROPOSED CONVERSION OF CALAVO TO FOR-PROFIT STATUS

Calavo's Board of Directors unanimously recommends the conversion of Calavo from a nonprofit cooperative association that is organized under the California Food and Agricultural Code into a for-profit corporation that is organized under the California General Corporation Law.

MERGER OF CALAVO INTO NEW CALAVO

To accomplish the conversion, Calavo will merge into New Calavo, which is a newly formed corporation organized under the California General Corporation Law. It is currently a wholly owned subsidiary of Calavo and was formed for the purpose of merging with Calavo. On the effective date of the merger, New Calavo will assume ownership of all of Calavo's business and assets, and all of Calavo's shareholders will receive shares of New Calavo common stock. New Calavo will be taxed under Subchapter C of the Internal Revenue Code and, unlike Calavo, New Calavo will operate as a "for-profit" corporation rather than as a nonprofit cooperative association.

RECORD DATE FOR VOTING

Only holders of record of Calavo's preferred stock or common stock as of the close of business on , 2001, which has been established by the Board of Directors as the record date, are entitled to vote on the conversion.

As of the record date, there are holders of common stock who are entitled to vote, and there are holders of preferred stock who are entitled to vote. As of the record date, all ten of Calavo's directors own shares of common stock and are therefore entitled to cast a total of ten votes, and none of Calavo's executive officers (excluding the Chief Executive Officer, who is also a director) owns shares of common stock or preferred stock. Calavo's directors collectively own approximately 16.8% of the outstanding shares of Calavo common stock.

METHOD OF VOTING

To vote on the proposed conversion, you must use the mail ballot accompanying this Information Statement/Prospectus. It is the only ballot that you will receive, and a shareholders' meeting to consider and vote on the conversion will not be held. If you wish to vote, you should complete, sign and deliver the ballot to Calavo in the enclosed envelope no later than , 2001 (or such later date as the Board of Directors may establish and announce in its sole discretion) in order for the ballot to be counted.

VOTE REQUIRED; EFFECT OF A FAILURE TO VOTE

The conversion cannot occur without the approval of a majority of Calavo's common shareholders, voting separately as a class, and by a majority of the outstanding shares of preferred stock, voting separately as a class. A shareholder's failure to vote has the same effect as a vote against the conversion.

REVOCABILITY OF BALLOTS

Any shareholder who delivers a completed and signed ballot to Calavo has the power to revoke it by filing with the Calavo Corporate Secretary a written instrument that revokes the ballot. However, a ballot cannot be revoked after the date that Calavo has received from its shareholders a sufficient number of ballots to approve the conversion.

BOARD OF DIRECTORS' RECOMMENDATION

CALAVO'S BOARD OF DIRECTORS HAS UNANIMOUSLY DETERMINED THAT THE CONVERSION IS IN THE BEST INTERESTS OF CALAVO AND ITS SHAREHOLDERS. THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE IN FAVOR OF THE CONVERSION OF CALAVO INTO A FOR-PROFIT CORPORATION.

SOLICITATION EXPENSES

Calavo will bear the entire cost of the solicitation of ballots in favor of the conversion. In addition to solicitation by mail, Calavo's directors, officers and other employees may, without additional compensation, solicit ballots personally, by telephone, by facsimile or by other means.

REASONS FOR THE CONVERSION

In order to maintain its status as an agricultural cooperative under applicable laws, Calavo must conduct a majority of its business with members. Calavo will not satisfy this requirement in 2001 and probably will not satisfy this requirement in subsequent years. To satisfy the requirement, Calavo would need to restructure its corporate organization into two separate businesses. In the Board's view, this would weaken the cooperative. Primarily as a result of the Board of Directors' determination that Calavo will soon lose its status as a nonprofit agricultural cooperative, the Board of Directors has determined that Calavo should now formally convert to a for-profit corporation organized under the California General Corporation Law.

Under Calavo's Bylaws and applicable law, holders of the cooperative's common stock must be members of Calavo who have entered into marketing agreements with Calavo. The Board of Directors believes that this requirement may limit Calavo's ability to attract equity capital from third parties who do not market avocados, and that the requirement may limit the ability of Calavo's members to obtain the full value of their equity investment in Calavo since they are not permitted to sell their stock to nonmembers of Calavo. Conversion to a for-profit corporation may enable Calavo to raise equity capital by issuing stock to third parties who are not marketers of agricultural products. For example, it is possible that common stock could be issued to joint venture partners and in connection with the acquisition of businesses that will enhance the value of Calavo.

As a for-profit corporation, Calavo will be able to grant to its officers and selected employees stock options and other rights to acquire shares of its common stock. The Board of Directors believes that this will allow management to participate in the growth of the corporation and provide management with added incentives to operate the corporation in a manner that increases the value of the shareholders' equity interests. The Board of Directors believes that equity incentives are a component of management compensation at many corporations, and that allowing management to have an equity interest in Calavo will enable the corporation to attract and retain qualified officers and employees.

The Board of Directors did not see any need to obtain an appraisal or a fairness opinion. No shareholders are being cashed out, and each shareholder will receive the same number of shares in New Calavo that he or she owns in Calavo. The economic interests of Calavo's shareholders in New Calavo are not being diluted through the merger, and the net book value of New Calavo will be the same as the net book value of Calavo on the effective date of the conversion.

AGREEMENT AND PLAN OF MERGER AND REORGANIZATION

The terms and conditions of the conversion are set forth in an Agreement and Plan of Merger and Reorganization (the "MERGER AGREEMENT") between Calavo and New Calavo, a copy of which is attached as Appendix A and incorporated herein. You are advised to read the Merger Agreement in order to understand the conversion fully. The following summary of the Merger Agreement discusses only selected provisions of the Merger Agreement.

EFFECTIVE DATE OF THE MERGER. The conversion will become effective on the date that a short-form version of the Merger Agreement is filed with the California Secretary of State. Calavo will file this document as soon as practicable after shareholder approval is obtained. However, even if shareholder approval is obtained, Calavo's Board of Directors intends to exercise its right under the Merger Agreement and applicable law not to proceed with the conversion unless a substantial majority of Calavo's shareholders approve the conversion.

ISSUANCE OF SHARES OF THE COMMON STOCK OF NEW CALAVO. On the effective date of the conversion, each outstanding share of the preferred stock and common stock of Calavo automatically will be converted into one share of New Calavo common stock, and the 100 shares of the common stock of New Calavo that are currently owned by Calavo will be cancelled. As a result, Calavo's shareholders will own all of the common stock of New Calavo in the same proportion that they own Calavo's outstanding stock on the effective date of the merger. New Calavo will advise its shareholders that the conversion has occurred and will deliver to them statements regarding the number of shares of common stock that they own in New Calavo.

EFFECT OF THE MERGER. On the effective date of the merger, Calavo will be merged into New Calavo, and Calavo will cease to exist. New Calavo will be the surviving corporation, and it will succeed to all of the business, assets and liabilities of Calavo. The directors, officers and employees of Calavo will remain in the same positions with New Calavo as of the effective date of the merger.

CONDITIONS TO CONSUMMATION OF THE CONVERSION. The obligations of Calavo and New Calavo to consummate the conversion are subject to the satisfaction or waiver, where permissible, of the following conditions:

- Calavo's shareholders shall have approved the conversion and the Merger Agreement.

- The Registration Statement on Form S-4 that has been filed with the SEC regarding the conversion shall have become effective under the Securities Act of 1933 and shall not be subject to any stop order suspending its effectiveness or to any proceeding seeking a stop order.

- All permits, consents and approvals that are required from the California Department of Corporations and other applicable state securities regulatory authorities regarding the offer and sale of shares of New Calavo common stock in the conversion shall have been obtained.

- Calavo shall have obtained all necessary consents to the conversion from its lenders and any other parties whose consents are required under contracts to which Calavo is a party.

- There shall not be in effect any judgment, regulation, order or injunction of any court or governmental authority that prohibits the conversion.

AMENDMENT AND TERMINATION OF THE MERGER AGREEMENT. The Merger Agreement may be amended by a writing executed by Calavo and New Calavo. However, after approval of Calavo's shareholders has been obtained, shareholder approval of the amendment is required if the amendment changes any of the principal terms of the Merger Agreement.

Calavo's Board of Directors is authorized to terminate the Merger Agreement (and thereby terminate the conversion) at any time prior to the effective date of the conversion, whether before or after shareholder approval.

NO DISSENTERS' RIGHTS

Under California law, Calavo's shareholders have no right to demand an appraisal of their Calavo shares in connection with the conversion and to receive a cash payment for the fair value of their shares. Even if a shareholder votes against the merger, he or she will receive shares in New Calavo if the conversion is completed.

MARKETING AGREEMENTS

In January 2001, the Board of Directors amended Section 7.08 of Calavo's Bylaws to provide that Calavo's marketing agreement with each member will terminate automatically on the effective date of Calavo's merger into New Calavo. A copy of the amendment is attached to this Information Statement/ Prospectus as Appendix E. If you desire to market avocados through New Calavo after the conversion, you must complete, sign and return to New Calavo the new marketing agreement that is enclosed with this Information Statement/Prospectus.

MATERIAL FEDERAL INCOME TAX CONSEQUENCES

The following discussion summarizes the material federal income tax consequences of the merger of Calavo into New Calavo that are generally applicable to holders of Calavo stock. This discussion does not deal with all aspects of federal income taxation that may be relevant to particular shareholders, such as persons who acquired shares of such stock in compensatory transactions (that is, upon the exercise of employee stock options or pursuant to employee stock purchase plans or arrangements), dealers in securities, foreign persons, tax-exempt organizations, cooperative associations, shareholders who do not hold such stock as a "capital asset" as defined in the Internal Revenue Code of 1986, as amended (the "INTERNAL REVENUE CODE"), and persons subject to the alternative minimum tax. In addition, this discussion does not address the tax consequences of transactions effectuated prior to or after the merger. Moreover, this discussion does not address any state, local or foreign tax or other considerations.

IN VIEW OF THE SUMMARY NATURE OF THIS DISCUSSION AND THE INDIVIDUAL NATURE OF FEDERAL INCOME AND OTHER TAX CONSEQUENCES OF THE MERGER, YOU ARE STRONGLY ADVISED TO CONSULT WITH YOUR OWN TAX ADVISER AS TO THE SPECIFIC TAX CONSEQUENCES TO YOU FROM THE MERGER (INCLUDING, WITHOUT LIMITATION, THE APPLICABILITY AND EFFECT OF FOREIGN, STATE AND LOCAL TAX LAWS AND OF CONSTRUCTIVE OWNERSHIP RULES).

The following discussion is based upon provisions of the Internal Revenue Code, regulations, administrative rulings and judicial decisions presently in effect, all of which are subject to change (possibly with retroactive effect) or to different interpretations. Neither party to the merger has sought a ruling from the Internal Revenue Service (the "IRS") with respect to any tax consequences of the merger. Consequently, the IRS is not precluded from adopting positions contrary to those discussed herein or otherwise advanced by the parties to the merger, including holders of Calavo stock. In addition, there is no assurance that future legislative, judicial or administrative changes or interpretations will not adversely affect the accuracy of the following discussion. Any such changes or interpretations could be applied retroactively and could affect the tax consequences of the merger to holders of Calavo stock.

Troy & Gould Professional Corporation, counsel to Calavo, has rendered an opinion to the effect that, on the basis of certain facts existing and representations made as of the effective date of the merger, the merger and the exchange of shares incident to the merger will qualify for non-recognition treatment for federal income tax purposes. This opinion will not, however, be binding on the IRS.

Subject to the limitations and assumptions referred to therein, the opinion of Troy & Gould Professional Corporation that the merger will qualify for non-recognition treatment under the Internal Revenue Code means the following:

(a) Neither Calavo nor New Calavo will recognize gain or loss in the merger;

(b) No gain or loss will be recognized by holders of Calavo stock upon their receipt of New Calavo common stock in the merger;

(c) The aggregate tax basis of the New Calavo common stock received in the merger by the holders of Calavo stock will be the same as the aggregate tax basis of the Calavo stock exchanged therefor; and

(d) The holding period of the New Calavo common stock received in the merger will include the period for which the Calavo stock surrendered in exchange therefor was held, provided that the Calavo stock was held as a capital asset at the time of the merger.

ACCOUNTING TREATMENT

The merger will be treated in a manner similar to a "pooling of interests" under accounting principles generally accepted in the United States in which no gain, loss or goodwill is recognized as a result of the transaction.

TRANSFERS OF SHARES OF NEW CALAVO COMMON STOCK AFTER THE CONVERSION

TRANSFERS OF CALAVO STOCK PRIOR TO THE CONVERSION

A public trading market does not exist for the common or preferred stock of Calavo. The stock is not listed on a securities exchange or the Nasdaq stock market. Outstanding shares of the common or preferred stock may be transferred only if federal and state securities registration exemptions are satisfied. Calavo distributes to its shareholders lists of shareholders who have indicated an interest in purchasing or selling shares of stock, and the purchasing and selling shareholders then privately negotiate the terms of the transaction.

For each fiscal quarter during the three fiscal years ended October 31, 2000 and for the fiscal quarter ended January 31, 2001, the following table sets forth information about purchases and sales of Calavo common stock that occurred among Calavo's shareholders. The table does not contain any express or implied representation about the value of the Calavo common stock or about the prices at which New Calavo common stock may be purchased and sold after the conversion.

PERIOD COVERED	NUMBER OF TRANSACTIONS	NUMBER OF SHARES	HIGH	RANGE AVERAGE	LOW
1997 - 1998					
11/1 - 1/31	17	87,518	$2.75	$1.27	$1.00
2/1 - 4/30	17	45,971	2.00	1.29	1.00
5/1 - 7/31	5	13,156	1.35	1.04	1.00
8/1 - 10/31	20	95,654	1.50	1.23	0.75
Summary	59	242,299		$1.24	
1998 - 1999					
11/1 - 1/31	35	213,162	1.50	$1.09	1.00
2/1 - 4/30	44	244,638	1.50	1.30	0.95
5/1 - 7/31	26	235,258	1.50	1.26	1.00
8/1 - 10/31	19	399,446	1.50	1.38	1.00
Summary	124	1,092,504		$1.28	
1999 - 2000					
11/1 - 1/31	19	92,645	1.50	$1.24	1.00
2/1 - 4/30	42	327,385	1.98	1.46	1.00
5/1 - 7/31	22	59,004	1.70	1.23	1.00
8/1 - 10/31	17	102,396	1.50	1.50	1.00
Summary	100	581,430		$1.41	
2000 - 2001					
11/1 - 1/31	8	93,828	3.00	$1.37	1.00

NO PUBLIC TRADING MARKET FOR NEW CALAVO STOCK

A public trading market will not exist for the shares of New Calavo common stock that are issued in the merger to Calavo's shareholders. New Calavo does not have any present intention of listing the shares on a securities exchange or the Nasdaq stock market.

LISTS OF POTENTIAL PURCHASERS AND SELLERS OF NEW CALAVO STOCK

After the conversion, New Calavo will maintain a list of shareholders who have notified it that they are interested in selling some of their shares of common stock and a list of shareholders who have notified New Calavo that they are interested in purchasing additional shares of common stock from shareholders.

In its discretion, and if permitted by applicable law, New Calavo may include on the list of potential purchasers non-shareholders who have advised the company that they are interested in purchasing shares. The lists will contain (a) the interested potential buyers' and sellers' names, (b) information regarding how the buyers and sellers may be contacted, and (c) if supplied by the buyer or seller, the number of shares that he or she is interested in buying or selling.

On a periodic basis, (a) New Calavo will distribute the lists of potential sellers to persons who have indicated an interest in purchasing stock, and (b) New Calavo will distribute the list of potential buyers to shareholders who have indicated an interest in selling stock. The lists will contain information about the prices at which shares of common stock have been traded or issued during prior quarters, but the lists will not contain any recommendation by New Calavo about the current value of its stock.

The lists will be accompanied by the following statements: (a) New Calavo is not a registered national securities exchange, securities information processor, broker, dealer, investment adviser or clearing agency; (b) the lists merely set forth the names of persons who are interested in buying or selling specified numbers of shares of common stock, and there is no assurance that any transaction will occur as to any particular number of shares or at any particular price; (c) the historical price information contained in the lists may not reflect the current value of the common stock; (d) each transaction must be executed by the buyer and seller without New Calavo's assistance or involvement; and (e) each transaction must be conducted by the buyer and seller in accordance with applicable federal securities laws, including antifraud provisions and registration or exemption requirements.

Buyers and sellers will be entitled to use the lists for the purpose of entering into privately negotiated transactions with each other. Neither New Calavo nor its officers or employees will (a) participate in the sale negotiations, (b) match or otherwise solicit buyers and sellers, (c) receive any commissions or fees with respect to these transactions, (d) act as an intermediary in the transfer of funds from the buyer to the seller in connection with any transaction, (e) arrange financing for the buyer, or (f) make any recommendation regarding the advisability of the transaction or the value of the common stock.

RIGHT OF FIRST REFUSAL IN FAVOR OF NEW CALAVO; OTHER TRANSFER RESTRICTIONS

ARTICLE VI OF NEW CALAVO'S BYLAWS CONTAINS CERTAIN RESTRICTIONS ON THE TRANSFERABILITY OF ALL SHARES OF NEW CALAVO COMMON STOCK. THE FOLLOWING IS A SUMMARY OF CERTAIN PROVISIONS OF ARTICLE VI. YOU SHOULD REVIEW ARTICLE VI IN ITS ENTIRETY IN ORDER TO UNDERSTAND THE RESTRICTIONS TO WHICH YOUR SHARES WILL BE SUBJECT.

Before any shares of New Calavo common stock that are owned by any shareholder may be sold, assigned or otherwise transferred, the shares must first be offered to New Calavo. The transferring shareholder must give New Calavo at least thirty days' prior written notice of the proposed transfer, and the notice must describe the terms of the proposed transfer. The transferee does not need to be an existing shareholder of New Calavo or a grower who markets avocados through New Calavo. A transfer of stock to a shareholder's family members or to a family trust is not subject to the right of first refusal.

New Calavo will have the right to elect to purchase all of the shares that are the subject of the proposed transfer. The right of first refusal must be exercised by New Calavo, if at all, within thirty days after its receipt of the transfer notice from the shareholder. Subject to certain exceptions, New Calavo will purchase the shares for the same purchase price and other payment terms that are described in the transfer notice if it elects to exercise its right of first refusal.

If New Calavo does not elect to purchase the shares that are the subject of the proposed transfer, the shares may be transferred to the proposed transferee. However, New Calavo has the right to require representation certificates and other appropriate evidence from the transferring shareholder and the transferee regarding compliance with applicable federal and state securities registration exemptions. Also, (a) no person, entity or group is permitted by the Bylaws to own more than twenty percent of the total outstanding shares of New Calavo stock, and (b) the Bylaws prohibit the transfer of shares to competitors of New Calavo. Shares that are transferred by a shareholder will remain subject to the right of first refusal

and other transfer restrictions of the Bylaws, and certificates and written statements that evidence the common stock will bear appropriate restrictive legends that refer to these transfer restrictions.

NEW CALAVO'S BUSINESS, MANAGEMENT AND COMMON STOCK

BUSINESS OF NEW CALAVO

New Calavo was incorporated on January 5, 2001 for the purpose of merging with Calavo. New Calavo is a for-profit corporation that is organized under the California General Corporation Law.

New Calavo currently has no business operations. On the effective date of its merger with Calavo, New Calavo will acquire all of Calavo's assets and business and will assume all of its liabilities. Thereafter, New Calavo will carry on Calavo's business operations, although New Calavo will have the right and authority to engage in other business operations if it so determines. For a description of Calavo's business, see "Business of Calavo." For information about Calavo's results of operations, see "Selected Condensed Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements (including the notes thereto) of Calavo that are included in this Information Statement/Prospectus.

Unlike Calavo, New Calavo will not operate on a nonprofit cooperative basis. Calavo's primary purpose is to pack, process and market avocados produced by its members at the highest possible sales price and to perform those services for the mutual benefit of its members on a nonprofit cooperative basis at cost (after allowing for the expenses of operation and maintenance of necessary reserves). New Calavo's primary purpose will be to maximize profits for its shareholders and to enhance the value of its shareholders' investment in the corporation. Although most of New Calavo's shareholders probably will continue to market avocados through the corporation, the marketing of avocados through the corporation will no longer be a requirement for ownership of common stock, and some shareholders will not be marketers of avocados.

Except for earnings that are attributable to business that is conducted with nonmembers on a for-profit basis, Calavo distributes earnings to members according to their utilization of the cooperative's services, which is determined primarily by the volume of the avocados that they deliver to Calavo. By contrast, all earnings that New Calavo may elect to distribute to shareholders in the form of dividends will be distributed based upon the number of shares that are owned by each shareholder rather than upon the amount of business that he or she does with the corporation. For additional information regarding the differences in the rights of Calavo's and New Calavo's shareholders as a result of the conversion, see "Comparison of the Rights of Calavo's and New Calavo's Shareholders."

DESCRIPTION OF NEW CALAVO STOCK

COMMON STOCK

The authorized capital stock of New Calavo consists of 100,000,000 shares of common stock with a par value of $0.001 per share. As of the date of this Information Statement/Prospectus, Calavo owns all 100 of the outstanding shares of New Calavo common stock. As of , 2001, shares of Calavo preferred stock were issued and outstanding, and shares of Calavo common stock were issued and outstanding. Assuming that Calavo does not repurchase any shares or issue any additional shares prior to the effective date of its merger into New Calavo, there will be issued and outstanding shares of New Calavo common stock as of the effective date of the conversion, all of which will be fully paid and non-assessable. All 100 shares of New Calavo common stock that are owned by Calavo will be cancelled in the merger.

Holders of New Calavo common stock are entitled to one vote per share on all matters to be voted upon by shareholders, provided that shareholders have cumulative voting rights in the election of directors. Holders of shares of common stock are entitled to receive on a pro rata basis such dividends, if any, as

may be declared from time to time by New Calavo's Board of Directors in its discretion from funds legally available for that use.

Holders of shares of New Calavo common stock are also entitled to share on a pro rata basis in any distribution to shareholders upon the liquidation, dissolution or winding up of New Calavo. Shareholders do not have preemptive rights to subscribe to any additional stock issuances by New Calavo, and shareholders do not have the right to require the redemption of their shares or the conversion of their shares into any other class of New Calavo's stock.

Shares of common stock are subject to certain rights of first refusal and transfer restrictions that are imposed by New Calavo's Bylaws. See "Transfers of Shares of New Calavo Common Stock After the Conversion."

PREFERRED STOCK

New Calavo's Articles of Incorporation do not authorize the issuance of shares of preferred stock. Any amendment of the Articles of Incorporation to provide for the issuance of preferred stock would require shareholder approval.

TRANSFER AGENT AND REGISTRAR

Unless it elects in the future to list its common stock on a securities exchange or the Nasdaq stock market, New Calavo anticipates that it will serve as the transfer agent and registrar for its common stock.

DIRECTORS OF NEW CALAVO

The ten persons who currently serve as the directors of Calavo are also serving as the initial directors of New Calavo and will continue to do so after the conversion. For information regarding the current directors of Calavo and their compensation, see "Management of Calavo." New Calavo anticipates that it will continue Calavo's policy of compensating directors for attending board and committee meetings and of reimbursing their expenses of attending the meetings.

Beginning with the first annual meeting of New Calavo's shareholders and continuing at every annual shareholders' meeting thereafter, all of New Calavo's directors will be elected by the shareholders to serve one-year terms.

EXECUTIVE OFFICERS OF NEW CALAVO

New Calavo's Board of Directors has appointed Calavo's existing executive officers to serve as New Calavo's executive officers in the same positions that they currently hold. For additional information regarding the executive officers, see "Management of Calavo -- Executive Officers." Each of New Calavo's executive officers will serve at the discretion of the Board of Directors, subject to the terms of any employment agreement that he or she may subsequently enter into with the corporation. New Calavo does not presently anticipate that it will enter into employment agreements with any of its officers or other employees. On the effective date of the conversion, all employees of Calavo will automatically become employees of New Calavo.

SECURITY OWNERSHIP OF NEW CALAVO'S DIRECTORS AND EXECUTIVE OFFICERS

On the effective date of the conversion, each of Calavo's directors and executive officers who owns shares of Calavo common stock will receive an equal number of shares of New Calavo common stock in exchange for the shares of Calavo stock. For information regarding the stock ownership of the directors and executive officers, see "Security Ownership of Certain Beneficial Owners and Management."

EXECUTIVE COMPENSATION

New Calavo has not paid any compensation to its executive officers. For information regarding the compensation of Calavo's executive officers (each of whom is also an executive officer of New Calavo), see "Management of Calavo -- Executive Compensation." During the period after the conversion, New Calavo's Board of Directors will review the compensation of the corporation's executive officers and determine whether any adjustments to the basis for determining the compensation or the amount of the compensation are appropriate in light of the financial performance of the corporation and other relevant factors.

POST-CONVERSION STOCK ISSUANCES

After the conversion, New Calavo will have the right, without obtaining shareholder approval, to issue shares of common stock to existing shareholders, to persons who elect to enter into marketing agreements with the corporation, to officers and employees of the corporation and to third parties, including persons who do not market avocados through New Calavo. The Articles of Incorporation of New Calavo state that the issuance by New Calavo of any shares of stock or options or other rights to acquire stock requires the approval of at least seventy-five percent of New Calavo's directors. Any issuances of stock after the conversion may dilute the proportionate equity interests of existing shareholders.

Shortly after the conversion, and subject to compliance with applicable federal and state securities laws, New Calavo intends to offer certain of its employees an opportunity to purchase an as-yet undetermined number of shares of common stock at a purchase price that will not be less than the fair market value of the stock as of the date that the purchase rights are granted. The proposed offer of stock to employees is subject to the Board of Directors' right to amend any of its proposed terms or to determine not to proceed with the transaction.

COMPARISON OF THE RIGHTS OF CALAVO'S AND NEW CALAVO'S SHAREHOLDERS

Upon completion of the conversion, the shareholders of Calavo will cease being members and shareholders of a California nonprofit cooperative association. On the effective date of the conversion, they will become shareholders of New Calavo, which is a California for-profit corporation.

The following is a summary of the material differences between the rights of Calavo's shareholders and the rights of New Calavo's shareholders effective upon the conversion. The summary does not purport to be a comprehensive discussion of these material differences, and the summary does not discuss the rights of Calavo's shareholders that will remain the same or substantially the same after the conversion. Furthermore, the identification of the differences summarized below is not intended to suggest that other important differences do not exist.

YOU ARE ADVISED TO REVIEW NEW CALAVO'S ARTICLES OF INCORPORATION AND BYLAWS, WHICH ARE ATTACHED TO THIS INFORMATION STATEMENT/PROSPECTUS AS APPENDICES B AND C, RESPECTIVELY. YOU ARE ALSO ADVISED TO REVIEW THE COPY OF CALAVO'S ARTICLES OF INCORPORATION AND BYLAWS THAT HAS PREVIOUSLY BEEN PROVIDED TO YOU. YOU MAY WITHOUT CHARGE OBTAIN ANOTHER COPY OF CALAVO'S ARTICLES OF INCORPORATION AND BYLAWS BY WRITING THE CORPORATE SECRETARY, GENE CARBONE, AT 2530 RED HILL AVENUE, SANTA ANA, CALIFORNIA 92705 OR BY CALLING HIM AT (949) 223-1111.

GOVERNING CALIFORNIA LAW

The California Food and Agricultural Code governs the organization and operation of a nonprofit agricultural cooperative such as Calavo. The California General Corporation Law also governs the operation of Calavo except where its provisions are in conflict or inconsistent with the express provisions of the California Food and Agricultural Code.

New Calavo's organization and operation are governed by the California General Corporation Law, and the California Food and Agricultural Code is not applicable to New Calavo.

CORPORATE PURPOSE

Calavo's Articles of Incorporation and Bylaws state the cooperative's primary purpose is to pack, process and market agricultural products produced by its members and to return to the members the proceeds of sale, less expenses, on the basis of the quantity or value or both of the products marketed for its members. The Articles of Incorporation and Bylaws also state that Calavo is a nonprofit cooperative association, and the Bylaws state that the value of its business with nonmembers may not exceed the value of its business with members.

New Calavo's Articles of Incorporation state that the corporation's purpose is to engage in any lawful act or activity for which a corporation may be organized under the California General Corporation Law other than the banking or trust company business or the practice of certain professions. This provision gives New Calavo more flexibility in its business operations, although New Calavo anticipates that its primary purpose probably will remain the marketing of agricultural products. New Calavo's Articles of Incorporation do not state that it will operate on a nonprofit basis for the benefit of its members. Instead, it will operate as a for-profit corporation for the benefit of its shareholders, whether or not they market products through the corporation. Also, New Calavo is not limited to conducting a majority of its business with members.

MEMBERS

Calavo's Bylaws provide for the admission of "members" to the cooperative. A member must produce and deliver avocados to Calavo and must own shares of Calavo's common stock. Every member must enter into a marketing agreement with Calavo, the primary terms of which are contained in the Bylaws. Pursuant to the marketing agreement, the member agrees to deliver all of his or her avocados to Calavo, and Calavo agrees to market the avocados on behalf of the member. The Bylaws also address the circumstances under which membership may be terminated.

New Calavo's Bylaws do not contain any concept of membership in the corporation that is based upon an agreement to deliver avocados to the corporation. The Bylaws do not contain a marketing agreement, and they do not discuss the terms and conditions upon which New Calavo will market avocados. Instead, any shareholder who desires to market avocados through New Calavo must sign a marketing agreement, a form of which is attached to this Information Statement/Prospectus as Appendix D. A grower who markets avocados through New Calavo is not required to own shares of New Calavo common stock.

AUTHORIZED CAPITAL

Calavo is authorized by its Articles of Incorporation to issue up to 10,000,000 shares of preferred stock and up to 10,000,000 shares of common stock. New Calavo is authorized by its Articles of Incorporation to issue up to 100,000,000 shares of common stock but is not authorized to issue preferred stock.

STOCK OWNERSHIP

Calavo's Articles of Incorporation and Bylaws state that only a member who markets avocados through Calavo is entitled to own Calavo common stock. Upon termination of membership, the former member's common stock that is not sold to other members is converted into preferred stock that is redeemable by Calavo at $1.00 per share. No shares of common or preferred stock may be transferred by a shareholder without the consent of Calavo's Board of Directors.

Ownership of New Calavo common stock is not limited to growers who have entered into marketing agreements with the corporation, and a grower is not required to sell or convert his or her common stock upon termination of a marketing agreement with New Calavo. Non-growers are entitled to own common

stock, and the Board of Directors does not have the right to approve transfers of shares other than to competitors of the corporation. However, New Calavo does have a right of first refusal to purchase all shares that a shareholder proposes to sell; the right is exercisable for the purchase price offered by the buyer. See "Transfers of Shares of New Calavo Common Stock After the Conversion."

VOTING RIGHTS

Calavo's Articles of Incorporation and Bylaws state that each holder of common stock is entitled to only one vote regardless of the number of shares that he or she owns. Except as required by applicable law, holders of preferred stock do not have any voting rights.

New Calavo's Bylaws state that each holder of common stock is entitled to a number of votes equal to the number of shares that he or she owns. Furthermore, shareholders have cumulative voting rights in the election of directors. In an election of directors pursuant to cumulative voting, each share of common stock is entitled to a number of votes equal to the number of directors to be elected. A shareholder may cast all of his or her votes for a single candidate or may allocate the votes among two or more of the directors to be elected on a basis determined by the shareholder. For example, if 10 directors are to be elected and a shareholder owns 100 shares of stock, the shareholder could give one candidate all 1,000 of the shareholder's votes or the shareholder could apportion the 1,000 votes among two or more of the director nominees.

ELECTION OF DIRECTORS

Calavo's Bylaws provide that the cooperative's territory will be divided into between seven and twelve districts, and that one director will be elected from each district. Under certain circumstances, an additional director may be elected from the two largest districts. Each member of Calavo is assigned to a district, and the member votes for a director from his or her district but not from other districts. Each director serves a two-year term and must be a member of the district from which he or she is elected. Because directors serve staggered terms, only one-half of the total authorized directors are elected each year. Currently, there are ten directors, each of whom is from a different district. The Bylaws also authorize the election by the directors of up to three directors-at-large, but there are currently no directors-at-large.

New Calavo's Bylaws provide that the authorized number of directors will be not less than eight nor more than fifteen, and that that Board of Directors will determine the number of directors within that range. Currently, the authorized number of directors is ten. Although the incumbent Board is authorized to create districts for administrative purposes and to nominate a slate of directors consisting of a nominee from each district, directors will not be elected on a district basis. Instead, each shareholder is entitled to cast votes on a cumulative basis for all of the director positions that are to be filled each year, and a shareholder will not be limited to voting for a director from his or her district. All directors serve one-year terms and will be elected at each annual shareholders' meeting. Only persons who market California-grown avocados through New Calavo are authorized to serve as directors.

SPECIAL MEETINGS OF SHAREHOLDERS

Calavo is required by its Bylaws to hold a special meeting of shareholders upon the request of at least twenty percent of the holders of common stock. New Calavo's Bylaws require a special meeting to be held upon the request of shareholders whose combined holdings comprise at least ten percent of the outstanding common stock.

DIVIDENDS

Distributions that are made on an annual basis by Calavo to its members from the net proceeds on sales of members' avocados are referred to as patronage dividends and are distributed to members based primarily upon the quantity of avocados delivered by each member during the fiscal year without regard to the number of shares of common stock that are owned by the member. Under Subchapter T of the

Internal Revenue Code, which applies to agricultural cooperatives, Calavo does not pay taxes on the patronage dividends that are distributed to members. Calavo's members are taxed on the distributions.

By contrast, dividends that Calavo elects to distribute to shareholders based upon its earnings from business that is conducted with nonmembers on a for-profit basis are distributed to each shareholder based upon the number of shares of common or preferred stock that he or she owns rather than upon the amount of business conducted by the shareholder with the cooperative. Calavo pays normal corporate taxes on these earnings, and its shareholders pay taxes upon their receipt of the dividends.

As a for-profit corporation, New Calavo will be taxed under Subchapter C of the Internal Revenue Code. New Calavo will not have the ability to deliver patronage dividends to growers who have entered into marketing agreements with the corporation. All earnings that New Calavo elects in its discretion to deliver to shareholders in the form of dividends will be distributed based upon the number of shares that are owned by each shareholder rather than upon the amount of business that the shareholder does with the corporation. New Calavo will be taxed on these earnings, and shareholders will then be taxed upon their receipt of the dividends.

REVOLVING FUNDS

As a cooperative, Calavo is entitled under its Articles of Incorporation and Bylaws to satisfy all or a portion of its capital needs by withholding for several years a portion of the proceeds from marketing avocados that are otherwise distributable to its members. Assuming satisfaction of certain requirements, Calavo does not pay taxes on these retained amounts, which are referred to as retains or revolving funds. Instead, the cooperative's members agree to take this income into their taxable income.

Pursuant to a recapitalization that was completed in January 1997, Calavo's members exchanged their revolving fund credits for Calavo common stock. The revolving fund credits that were held by former members and by members who did not consent to the recapitalization were also converted into common stock after the credits were purchased by consenting Calavo members. Subsequent to the recapitalization, the use of revolving funds has not been an important source of financing by Calavo.

New Calavo's Articles of Incorporation and Bylaws do not provide for the corporation's creation of a revolving fund from proceeds that are otherwise payable to growers who are parties to marketing agreements with the corporation. New Calavo will be required to pay taxes on any income that it withholds as retained earnings.

SELECTED CONDENSED CONSOLIDATED FINANCIAL DATA

The following selected condensed consolidated financial data for each of the years in the five-year period ended October 31, 2000 are derived from Calavo's audited consolidated financial statements. The following selected condensed consolidated financial data for the three-month periods ended January 31, 2000 and January 31, 2001, respectively, are derived from Calavo's unaudited consolidated financial statements. The unaudited consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements included herein and, in the opinion of management, include all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the operating results for the periods. The results of operations for the three months ended January 31, 2001 are not necessarily indicative of results to be achieved for the full fiscal year. You should read the financial information presented below along with the consolidated financial statements and related notes thereto that are included elsewhere in this Information Statement/Prospectus. For a narrative explanation of certain of the following financial information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	FISCAL YEAR ENDED OCTOBER 31,					THREE MONTHS ENDED JANUARY 31,	
	1996	1997	1998	1999	2000	2000	2001
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)						
STATEMENT OF OPERATIONS DATA:							
Net sales................	$147,866	$151,189	$152,194	$181,480	$225,869	$40,000	$40,449
Operating proceeds.......	85,647	85,284	82,441	96,563	112,273	15,670	12,863
Tax provision (benefit)..............	1,209	(319)	730	(408)	2,162	594	456
Net income from nonmember products...............	1,444	266	1,648	884	4,764	1,319	909
BALANCE SHEET DATA AS OF END OF PERIOD:							
Working capital..........	12,217	10,503	11,626	10,254	13,929	9,721	7,406
Total assets.............	36,114	34,115	33,887	46,442	46,485	45,254	46,552
Short-term debt..........	1,178	2,525	475	9,148	9,486	8,169	12,901
Long-term debt...........	4,249	3,468	4,794	4,331	3,820	4,419	3,544
Shareholders' equity/ members' interest......	16,382	16,147	17,518	17,577	22,435	17,839	17,134
CASH FLOWS FROM:							
Operations...............	3,865	(844)	1,464	(6,338)(1)	2,978	1,454	1,102
Investing................	(1,482)	(786)	(3,284)(2)	(1,523)	(1,685)	(289)	(802)
Financing................	(1,414)	(445)	167	6,917(2)	(1,259)	(2,078)	(1,770)
Weighted-Average Shares Outstanding.........	9,623(3)	9,594(3)	9,605	9,572	9,849	9,839	9,936
Basic and Diluted Net Income Per Share from Nonmember Products.......	$ 0.15(3)	$ 0.03(3)	$ 0.17	$ 0.09	$ 0.48	$ 0.13	$ 0.09
Dividends Per Share........	$ 0.10(3)	$ 0.05(3)	$ 0.17	$ 0.12	$ 0.50		
Net Book Value Per Share...	$ 1.66(3)	$ 1.64(3)	$ 1.77	$ 1.78	$ 2.28		

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(1) Reflects increased accounts receivable, which is a result of increased sales in fiscal 1999 of member and imported avocado products.

(2) Reflects the purchase of Calavo's California headquarters building in fiscal 1998 and the opening of a packinghouse in Mexico with financing completed in fiscal 1999.

(3) In January 1997, Calavo converted its capital structure by exchanging member revolving fund credits for shares of common stock. The share information as of and for the fiscal years ended October 31, 1997 and 1996 is presented on a pro forma basis. This pro forma share information was prepared assuming that the number of shares outstanding prior to the conversion was equal to the initial number of shares issued in the January 1997 recapitalization.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The following Unaudited Pro Forma Condensed Combined Financial Statements for New Calavo give effect to the merger with Calavo. The historical financial information set forth below has been derived from, and is qualified by reference to, the consolidated financial statements of Calavo and the financial statements of New Calavo and should be read in conjunction with those financial statements and notes thereto included elsewhere herein. The Unaudited Pro Forma Condensed Combined Statement of Operations for the fiscal year ended October 31, 2000 gives effect to the merger with Calavo as if it had occurred on November 1, 1999, and the Unaudited Pro Forma Condensed Combined Statement of Operations for the three months ended January 31, 2001 gives effect to the merger as if it had occurred on November 1, 2000. The Unaudited Pro Forma Condensed Combined Balance Sheet as of January 31, 2001 gives effect to the merger with Calavo as if it had occurred on January 31, 2001.

Under the terms of the merger, each share of Calavo common stock and preferred stock will be exchanged for one share of New Calavo common stock. The merger with Calavo will be accounted for in a manner similar to a pooling of interests. Accordingly, the assets and liabilities subsequent to the merger will be presented at Calavo's historical cost and no goodwill will be recorded.

The Unaudited Pro Forma Condensed Combined Financial Statements should be read in conjunction with (i) Management's Discussion and Analysis of Financial Condition and Results of Operations and the historical financial statements and notes to financial statements of Calavo and New Calavo which are included elsewhere in this Information Statement/Prospectus, and (ii) the selected historical financial data appearing elsewhere in this Information Statement/Prospectus. The Unaudited Pro Forma Condensed Combined Financial Statements are provided for informational purposes only and do not purport to present the combined financial position or results of operations of Calavo and New Calavo had the merger assumed therein occurred on the dates specified, nor are they necessarily indicative of the results of operations that may be expected in the future.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
AS OF JANUARY 31, 2001
(IN THOUSANDS)

	HISTORICAL NEW CALAVO(1)	HISTORICAL CALAVO(1)	PRO FORMA ADJUSTMENTS	PRO FORMA
ASSETS				
Cash and cash equivalents	$ --	$ 22	$ --	$ 22
Accounts receivable, net	--	17,793	--	17,793
Inventories, net	--	10,874	--	10,874
Prepaid expenses and other current assets	--	1,632	--	1,632
Loan to growers	--	1,603	--	1,603
Income taxes receivable	--	459	--	459
Deferred income taxes	--	537	--	537
Total current assets	--	32,920	--	32,920
Property, plant and equipment, net	--	9,303	--	9,303
Investments held to maturity	--	1,590	--	1,590
Other assets	--	2,739	--	2,739
	$ --	$46,552	$ --	$46,552
LIABILITIES AND SHAREHOLDERS' EQUITY				
Payable to members	$ --	$ 8,122	$(8,122)(2)	$ --
Trade accounts payable and accrued expenses	--	4,491	8,122(2)	12,613
Short-term borrowings	--	12,400	--	12,400
Current portion of long-term obligations	--	501	--	501
Total current liabilities	--	25,514	--	25,514
Long-term obligations, less current portion	--	3,544	--	3,544
Deferred income taxes	--	360	--	360
Total long-term liabilities	--	3,904	--	3,904
Shareholders' equity:				
Redeemable preferred stock	--	47	(47)(3)	--
Common stock	1	9,909	(1)(4) (9,909)(3) 10(3)	10
Additional paid-in capital	--	178	9,946(3)	10,124
Retained earnings	--	7,000	--	7,000
Receivable from shareholder	(1)	--	1(4)	--
Total shareholders' equity	--	17,134	--	17,134
	$ --	$46,552	$ --	$46,552

See accompanying notes to Unaudited Pro Forma Condensed Combined Financial Statements.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
YEAR ENDED OCTOBER 31, 2000
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	HISTORICAL NEW CALAVO(1)	HISTORICAL CALAVO(1)	PRO FORMA ADJUSTMENTS	PRO FORMA
Net sales	$ --	$ 225,869	$ --	$225,869
Cost of sales	--	--	105,347(5) 292(5) 92,230(6)	197,869
Gross margin	--	--	--	28,000
Operating expense	--	112,934	(92,230)(6)	20,704
Operating income/operating proceeds and nonmember gross profit	--	112,935	105,639	7,296
Other expense	--	370	--	370
Decrease in members' fresh fruit inventories	--	(292)	292(5)	--
Income before provision for income taxes	--	112,273	105,347	6,926
Income tax provision	--	2,162	--	2,162
Net proceeds distributed to members	--	(105,347)	105,347(5)	--
Net income	$ --	$ 4,764	$ --	$ 4,764
Basic and diluted net income per share	$ --	$ 0.48	$ --	$ 0.48
Basic and diluted weighted average shares	--	9,849	--	9,849

See accompanying notes to Unaudited Pro Forma Condensed Combined Financial Statements.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
THREE MONTHS ENDED JANUARY 31, 2001
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	HISTORICAL NEW CALAVO(1)	HISTORICAL CALAVO(1)	PRO FORMA ADJUSTMENTS	PRO FORMA
Net sales	$ --	$ 40,449	$ --	$ 40,449
Cost of sales	--	--	11,498(5) (1,471)(5) 24,687(6)	34,714
Gross margin	--	--	--	5,735
Operating expense	--	28,933	(24,687)(6)	4,246
Operating income/operating proceeds and nonmember gross profit	--	11,516	10,027	1,489
Other expense	--	124	--	124
Increase in members' fresh fruit inventories	--	1,471	(1,471)(5)	--
Income before provision for income taxes	--	12,863	11,498	1,365
Income tax provision	--	456	--	456
Net proceeds distributed to members	--	(11,498)	11,498	
Net income	$ --	$ 909	$ --	$ 909
Basic and diluted net income per share	$ --	$ 0.09		$ 0.09
Basic and diluted weighted average shares	--	9,936		9,936

See accompanying notes to Unaudited Pro Forma Condensed Combined Financial information.

NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

Pro forma adjustments for the unaudited pro forma condensed combined balance sheet as of January 31, 2001 and the statements of operations for the year ended October 31, 2000 and the three months ended January 31, 2001 are as follows:

(1) Calavo reports its financial information on the basis of an October 31 fiscal year. New Calavo was incorporated on January 5, 2001. The Unaudited Pro Forma Condensed Combined Financial Statements for the fiscal year ended October 31, 2000 and the three months ended January 31, 2001 include Calavo's historical results of operations for the fiscal year ended October 31, 2000 and the three months ended January 31, 2001 respectively, and do not include any operations of New Calavo as its operations will not commence until after the proposed merger is consummated. The Unaudited Pro Forma Condensed Combined Balance Sheet includes the historical balance sheets of Calavo and New Calavo as of January 31, 2001.

(2) Represents the reclassification of a payable to a growers balance maintained by Calavo as an agricultural cooperative to a trade accounts payable as a commercial corporation.

(3) Represents the exchange of 9,867,000 and 47,000 shares of Calavo common and preferred stock (par value $1.00) for 9,904,000 shares of New Calavo common stock (par value $0.001) and the corresponding increase in additional paid-in capital.

(4) Represents the forgiveness of a note receivable from New Calavo's parent and the cancellation of all shares of New Calavo common stock.

(5) Represents the reclassification of proceeds distributed to growers and other related accounts maintained by Calavo as an agricultural cooperative to cost of goods sold consistent with operations as a commercial corporation.

(6) Represents certain costs and expenses presented by Calavo in accordance with industry standards for agricultural cooperatives and reclassifies such amounts as cost of goods sold.

BUSINESS OF CALAVO

OVERVIEW

Calavo is a nonprofit cooperative association that is organized under the California Food and Agricultural Code. It was founded in 1924 to market avocados grown in California by its members. The growing area stretches from San Diego to the north of Santa Barbara, with the majority of the growing areas located approximately 100 miles north and south of Los Angeles.

The Hass variety of avocados represents about 85% of current plantings. The Hass variety is available from December through November, with peak production in the May to September months.

The avocados are harvested and then delivered to a packinghouse where they are cooled, graded, sized and packed. The avocados are then stored in a temperature-controlled warehouse until they are shipped to customers. Customers consist of the major supermarket chains in the United States and Canada and certain other foreign countries and of food service distributors who supply the away-from-home market such as restaurants, fast food chains, hospitals and other institutions. Calavo markets its products through its own sales force for the fresh avocado market and uses a broker network for its processed products.

Calavo sources avocados from Chile and New Zealand under consignment marketing agreements. It earns a marketing commission for sales made to its customers. Papayas from Hawaii are also sold on a commission basis.

Calavo purchases avocados in Mexico for its fresh and processed businesses. Calavo has one packinghouse in Mexico for packing and shipping avocados to the United States, Canada, Asia and Europe. Avocados are also processed in Mexico by first removing the skin and seed, and then are made into a pulp. The pulp is shipped to a processing plant in California where it is further processed and packaged. The product is then frozen for storage with shipment to warehouses and ultimately to its customers. The product has an extended storage life compared to the short storage life of the fresh product.

The market for avocados is worldwide. The United States market receives most of Calavo's U.S. production. In recent years, U.S. production has been reduced due to weather and disease or pest conditions. When U.S. production is reduced, imports come into the market and fill the void. In recent years, the U.S. market has also been restricted due to high domestic prices.

Calavo's cost structure is geared to handle larger crops than it has processed in the last several years. Calavo has aggressively recruited and procured an additional percentage of the California avocados crop in recent years, especially from nonmembers.

The California avocado market is highly competitive. There are over forty handlers of fresh avocados, all of whom place purchase quotations into a daily price quoting marketplace. The competition is both for the growers and for the food buyers at the retail and food service companies.

Avocados are not differentiated at the consumer level since there is limited branding of the product. The industry operates under a California marketing order whereby all growers fund a generic advertising and promotion program. There is no brand crediting. The only label on the avocados is "California Grown," with an industry-wide PLU label used for scanning purposes on the fruit and with Calavo marking the PLU label with its name. The packaging container does show the packer's name on the container, but the container normally does not appear in the store display area.

Calavo's sales effort for fresh avocados is handled out of its Santa Ana, California office with four regional sales offices in key United States markets. The processed avocado sales effort is handled by a nationwide broker network controlled by six salaried regional managers. California growers are serviced out of two packinghouses with regional field managers handling the daily harvest planning, delivery and grower relations. Calavo's logistics, accounting and information services are also headquartered in its Santa Ana, California office.

Members' fruit is pooled on a weekly basis, which means that all fruit received during a week is aggregated into one homogeneous commodity. The fruit is tracked through the packaging cycle, and the sales proceeds for each week are allocated to the applicable week's delivery of avocados. The proceeds are paid to the growers once each month with all of the fruit received in a given week receiving the same return by variety, grade and size.

Most of the fruit is sold on a weekly basis. At the time of payout, the avocados that are not yet invoiced are estimated for payout purposes. Over a number of years, this payout system has closely tracked actual proceeds. Any errors in calculation are absorbed by Calavo.

A packing retain is withheld when the avocados are delivered by charging a packing fee against the estimated sales proceeds. If this packing retain is more than the actual cost of operations, the excess is refunded to the members on the basis of the pounds of fruit delivered by each member. If there is a deficit, it is recovered in the following year. Generally, a refund has been made to the members since Calavo is conservative in setting its retain rate. Competitive pressures act as a control on setting the lowest possible retain since growers might deliver avocados to a competitive marketer if the retain is too high. Upon the conversion of Calavo to a for-profit corporation, a refundable retain will not be charged against the sales proceeds since Calavo will cease operating as a cooperative.

Members of Calavo sign a marketing agreement to deliver all of their fruit to the cooperative for one year. This term is renewed on an annual basis unless either party gives written notice to terminate during a prescribed period each year.

The processed avocado segment has experienced major competition from Mexican-based producers in recent years. Mexican producers have a slight advantage over United States producers in fruit procurement costs. However, since the avocados must be processed and then delivered to the United States, Calavo does not believe that this has given Mexican producers a major cost advantage.

Calavo's marketing strength has been its quality, innovation, year-round product availability, strategically located warehouses and market relationships. Calavo does heavy brand support of its processed products with consumer advertising and trade promotions.

BUSINESS SEGMENTS

IDENTIFICATION OF SEGMENTS

Calavo's business has three segments:

- Member avocados, which includes all operations that involve the distribution of avocados delivered primarily by members under marketing agreements;

- Nonmember perishable products, which includes the distribution of nonmembers' fresh avocados imported primarily from Chile, Mexico and New Zealand and the distribution of Hawaiian-grown papayas and which is done on a consignment and purchased basis; and

- Processed avocados, which includes frozen avocado pulp products mainly produced at Calavo's plants.

MEMBER AVOCADOS

There are approximately 1,560 growers who deliver their avocados to Calavo on a member basis. This fruit is paid on a consignment basis with an estimated packing and marketing charge deducted from the sales proceeds. There are approximately 180 growers who deliver avocados to Calavo on a nonmember basis. They are paid the same rate as Calavo's members. However, the nonmembers do not vote on corporate matters and are not shareholders of Calavo. Members must own shares of Calavo common stock.

Calavo also purchases avocados at an agreed price. Calavo takes the full market risk on these transactions. The commodity is delivered to a Calavo packinghouse where it is graded, sized and packed into shipping containers for delivery to Calavo's customers. It is important for Calavo to be able to

estimate the total size of the crop and to have that commodity move through the distribution system in an orderly manner. This is done through a field team that maintains direct contact with growers and farm managers to coordinate harvest plans and that gives feedback to the marketing group. The sales effort is coordinated through the Santa Ana, California office where list prices are published for a direct sales force to solicit orders. Calavo maintains additional offices in the States of Washington, Illinois and New Jersey.

Sales are made to a diverse group of supermarket chains, wholesalers, food service suppliers and other direct users. The recent consolidation in the supermarket and food service segments has led to fewer but bigger buyers. Limited sales are made through the "dot com" distribution method, which will probably increase over the near term.

Calavo's largest 5 customers represent 12.5% of all fresh product sales and the largest 25 customers represent 43.9% of all sales. The sales force sells the member avocados and nonmember perishable products to the same customer base.

Calavo has a market share of 37.0% of California avocados. This percentage has increased in recent years from 30.0% as a result of areas recovering from weather and pest problems and new membership additions.

The cost structure of Calavo is heavily weighted to fixed expenses. When the volume increases, this overhead is spread over more pounds, which yields a lower operating cost.

NONMEMBER PERISHABLE PRODUCTS

This area has experienced significant growth over the last several years. The Chilean volume has increased due to larger plantings and lower crop sizes in California. This has created market opportunities for the Chilean crop, which is harvested towards the end of the California crop season. Calavo has a 23.5% share of Chilean imports into the United States.

Mexican avocados have been allowed to enter the United States market since 1998. They are marketed in the 19 northeastern states from November 1 to the end of February. Calavo has a history of dealing in Mexican produce. With the border being opened, a major investment was made in Mexico to build a packinghouse in the growing area. The success of this portion is dependent upon securing a reliable, high quality supply of avocados at a reasonable cost. Recently, the Mexican growers and government have restricted the supply of avocados for export to the United States in order to obtain higher field prices. Calavo is dependent upon securing a sufficient volume of fruit to support its investment in the packing operation. Calavo also exports Mexican avocados to Japan, Canada and Europe. Calavo has a 20.0% share of the avocados exported from Mexico.

Advances have been made to several Mexican growers to secure their fruit for the season. If they do not deliver this fruit, it may be difficult for Calavo to obtain repayment of the advances. Total advances to Mexican growers as of October 31, 2000 were $1,088,000.

New Zealand has recently started to export avocados into the United States. New Zealand avocados compete with the Chilean and Mexican fruit for shelf space. Calavo's share of the avocados imported from New Zealand into the United States is 40.0%.

Papayas, packed by a company that is owned by Calavo's Chairman of the Board and Chief Executive Officer, are shipped to the United States for sale to Calavo's customers. The crop has been restricted due to disease problems in Hawaii. There is also significant competition from Mexico in this product line.

Calavo marketed mangos until 1999, when Calavo discontinued that product due to profitability issues.

PROCESSED AVOCADOS

Calavo pioneered the freezing of the avocado in the 1960's and early 1970's. The process involves a ripening, seed removal and pulp extraction operation. The pulp is packaged in plastic or metal containers

for sale to the food service industry and retail supermarket trade. Sales declined over the last several years due mainly to Mexican-based processors entering the market. In prior years, Calavo used California fruit to create the pulp. With restricted supplies, Calavo had to process Mexican fruit in order to remain competitive in the market place. Because Mexican processors had access to lower-priced fruit, Calavo made a decision in 1995 to build a Mexican processing plant, which put it on a more competitive fruit-sourcing basis.

Sales of processed avocados are made to the food service sector and the retail supermarket sector. The sales are made by a commissioned broker network that is managed by Calavo's regional sales managers. The largest 5 customers represent 24.3% of all sales, and the largest 25 customers represent 49.3% of sales.

SALES INFORMATION BY BUSINESS SEGMENT

For each of Calavo's three business segments, Note 13 to the Consolidated Financial Statements that are included in this Information Statement/Prospectus sets forth detailed information regarding sales, costs and income for each of the years in the three-year period ended October 31, 2000.

The following table sets forth sales, costs and income information for each of Calavo's three business segments for each fiscal quarter during the two fiscal years ended October 31, 2000 and for the fiscal quarter ended January 31, 2001.

MEMBER AVOCADOS
(IN THOUSANDS)

	FISCAL YEAR ENDED OCTOBER 31, 1999				
	11/1 - 1/31	2/1 - 4/30	5/1 - 7/31	8/1 - 10/31	TOTAL
Sales	$ 8,408	$30,384	$43,729	$29,038	$111,559
Costs(1)	3,223	4,227	4,727	4,012	16,189
Tax (benefit)(2)	--	--	--	(21)	(21)
Change in inventory	1,569	1,786	(136)	(2,523)	696
Distributed	7,997	26,206	38,672	23,215	96,090
Excess distribution (deficit) to growers	$(1,243)	$ 1,737	$ 194	$ (691)	$ (3)

	FISCAL YEAR ENDED OCTOBER 31, 2000					QUARTER ENDED JANUARY 31, 2001
	11/1 - 1/31	2/1 - 4/30	5/1 - 7/31	8/1 - 10/31	TOTAL	11/1 - 1/31
Sales	$14,327	$38,052	$44,565	$26,723	$123,667	$14,255
Costs(1)	2,915	4,775	5,329	4,989	18,008	4,228
Tax(2)	1	--	--	19	20	1
Change in inventory	2,346	437	(1,191)	(1,884)	(292)	1,471
Distributed	14,808	32,826	36,785	20,948	105,367	12,799
Excess distribution (deficit) to growers	$(1,051)	$ 888	$ 1,260	$(1,117)	$ (20)	$(1,301)

NONMEMBER PERISHABLE PRODUCTS
(IN THOUSANDS)

	FISCAL YEAR ENDED OCTOBER 31, 1999				
	11/1 - 1/31	2/1 - 4/30	5/1 - 7/31	8/1 - 10/31	TOTAL
Sales	$15,801	$ 4,591	$ 2,274	$17,619	$ 40,285
Costs(1)	13,959	4,318	2,973	16,256	37,506
Gross margins	1,842	273	(699)	1,363	2,779
Other costs(1)	1,068	920	654	1,334	3,976
Tax (benefit)(2)	173	(298)	(498)	(77)	(700)
Net income (loss)	$ 601	$ (349)	$ (855)	$ 106	$ (497)

	FISCAL YEAR ENDED OCTOBER 31, 2000					QUARTER ENDED JANUARY 31, 2001
	11/1 - 1/31	2/1 - 4/30	5/1 - 7/31	8/1 - 10/31	TOTAL	11/1 - 1/31
Sales	$17,765	$ 9,934	$12,982	$28,777	$ 69,458	$18,617
Costs(1)	15,935	7,955	11,071	26,251	61,212	16,862
Gross margins	1,830	1,979	1,911	2,526	8,246	1,755
Other costs(1)	1,118	1,618	1,274	1,456	5,466	1,399
Tax(2)	221	87	154	209	671	119
Net income (loss)	$ 491	$ 274	$ 483	$ 861	$ 2,109	$ 237

PROCESSED AVOCADOS
(IN THOUSANDS)

	FISCAL YEAR ENDED OCTOBER 31, 1999				
	11/1 - 1/31	2/1 - 4/30	5/1 - 7/31	8/1 - 10/31	TOTAL
Sales	$ 6,420	$ 6,616	$ 8,231	$ 8,369	$ 29,636
Costs(1)	3,084	3,162	4,594	5,344	16,184
Gross margins	3,336	3,454	3,637	3,025	13,452
Other costs(1)	2,505	3,043	3,019	3,191	11,758
Tax (benefit)(2)	186	90	136	(99)	313
Net income (loss)	$ 645	$ 321	$ 482	$ (67)	$ 1,381

	FISCAL YEAR ENDED OCTOBER 31, 2000					QUARTER ENDED JANUARY 31, 2001
	11/1 - 1/31	2/1 - 4/30	5/1 - 7/31	8/1 - 10/31	TOTAL	11/1 - 1/31
Sales	$ 7,908	$ 7,767	$ 8,676	$ 8,393	$ 32,744	$ 7,577
Costs(1)	4,092	3,116	3,121	4,466	14,795	3,520
Gross margins	3,816	4,651	5,555	3,927	17,949	4,057
Other costs(1)	2,616	3,477	3,637	4,093	13,823	3,048
Tax (benefit)(2)	372	418	684	(3)	1,471	337
Net income (loss)	$ 828	$ 756	$ 1,234	$ (163)	$ 2,655	$ 672

COMBINED
(IN THOUSANDS)

	FISCAL YEAR ENDED OCTOBER 31, 1999				
	11/1 - 1/31	2/1 - 4/30	5/1 - 7/31	8/1 - 10/31	TOTAL
Sales	$30,629	$41,591	$54,234	$55,026	$181,480
Costs(1)	17,043	7,480	7,567	21,600	53,690
Gross margins	13,586	34,111	46,667	33,426	127,790
Other costs(1)	6,796	8,190	8,400	8,537	31,923
Tax (benefit)(2)	359	(208)	(362)	(197)	(408)
Change in inventory	1,569	1,786	(136)	(2,523)	696
Distributed	7,997	26,206	38,672	23,215	96,090
Excess distribution (deficit) to growers(3)	(1,243)	1,737	194	(691)	3
Net income (loss) from nonmember products	$ 1,246	$ (28)	$ (373)	$ 39	$ 884

	FISCAL YEAR ENDED OCTOBER 31, 2000					QUARTER ENDED JANUARY 31, 2001
	11/1 - 1/31	2/1 - 4/30	5/1 - 7/31	8/1 - 10/31	TOTAL	11/1 - 1/31
Sales	$40,000	$55,753	$66,223	$63,893	$225,869	$40,449
Costs(1)	20,027	11,071	14,192	30,717	76,007	20,382
Gross margins	19,973	44,682	52,031	33,176	149,862	20,067
Other costs(1)	6,649	9,870	10,240	10,538	37,297	8,675
Tax(2)	594	506	837	225	2,162	456
Change in inventory	2,346	437	(1,191)	(1,884)	(292)	1,471
Distributed	14,808	32,826	36,785	20,948	105,367	12,799
Excess distribution (deficit) to growers(3)	(1,051)	888	1,260	(1,117)	(20)	(1,301)
Net income (loss) from nonmember products	$ 1,319	$ 1,029	$ 1,718	$ 698	$ 4,764	$ 909

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(1) Costs and other costs include costs which can be identified by segment and costs which are allocated using a five-year sales factor. The allocated costs are general and administrative costs.

(2) Non-specific expenses are allocated using a one-year sales allocation factor for purposes of computing taxable income, which yields a different allocation of such costs than the five-year method used for financial statement purposes. The effective tax rate is applied to each quarter.

(3) Transferred to retained earnings at the end of the fiscal year.

SALES BY PRODUCT CATEGORY

The following table sets forth sales by product category for each of the years in the five-year period ended October 31, 2000.

	FISCAL YEAR ENDED OCTOBER 31,				
	1996	1997	1998	1999	2000
	(IN THOUSANDS)(1)				
California avocados -- members	$ 96,915	$ 99,723	$ 91,461	$107,357	$117,878
California avocados -- nonmembers	--	--	--	3,405	23,057
Chilean avocados	7,137	8,881	13,531	18,355	20,538
Mexican avocados	2,444	3,276	6,828	11,240	13,802
New Zealand avocados	--	--	--	1,273	3,672
Miscellaneous purchased avocados	68	435	1,290	1,154	1,094
Papayas	3,271	2,129	2,624	1,981	2,061
Mangos	11	535	1,150	4	--
Others	199	36	71	--	--
Processed -- food service	19,261	19,442	20,363	21,261	27,225
Processed -- retail & club	11,188	10,065	8,351	8,375	5,519
Processed -- miscellaneous	2	56	10	--	--
Total sales -- F.O.B.	$140,496	$144,578	$145,679	$174,405	$214,846
Freight and other charges(2)	7,370	6,611	6,515	7,075	11,023
Total sales	$147,866	$151,189	$152,194	$181,480	$225,869

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(1) Fresh sales products are reported in F.O.B. dollars, which is the cost to customers for the packed products before freight, storage and handling costs and other add-on costs to customers. Processed products are reported in delivered pricing as the products have freight costs built into the price quoted to the customers.

(2) These charges change as the volume increases or decreases.

The following table sets forth the percentage of total sales contributed by each product category for each of the years in the five-year period ended October 31, 2000.

	FISCAL YEAR ENDED OCTOBER 31,				
	1996	1997	1998	1999	2000
California avocados -- members	69.0%	69.0%	62.8%	61.6%	54.9%
California avocados -- nonmembers	--	--	--	2.0	10.7
Chilean avocados	5.1	6.1	9.3	10.5	9.6
Mexican avocados	1.7	2.3	4.7	6.4	6.4
New Zealand avocados	0.0	--	--	0.7	1.7
Miscellaneous purchased avocados	0.1	0.3	0.9	0.7	0.5
Papayas	2.3	1.5	1.8	--	--
Mangos	--	0.4	0.8	--	--
Others	0.1	--	--	--	--
Processed -- food service	13.7	13.4	14.0	12.2	12.7
Processed -- retail & club	8.0	7.0	5.7	4.8	2.6
Processed -- miscellaneous	--	--	--	--	--
Total sales	100.0%	100.0%	100.0%	100.0%	100.0%

AVOCADOS DELIVERED BY CALAVO'S CALIFORNIA MEMBERS

The following table sets forth the quantity of avocados delivered by Calavo's California members for each of the years in the five-year period ended October 31, 2000.

	FISCAL YEAR ENDED OCTOBER 31,				
	1996	1997	1998	1999	2000
	(IN THOUSANDS OF POUNDS)				
Pounds	117,038	104,159	91,698	82,235	119,248

FOREIGN AND DOMESTIC SALES INFORMATION

The following table sets forth information regarding Calavo's domestic and foreign sales for each of the years in the three-year period ended October 31, 2000.

	FISCAL YEAR ENDED OCTOBER 31,		
	1998	1999	2000
	(IN THOUSANDS)		
United States	$146,107	$170,899	$212,595
Canada	1,136	3,437	4,091
Asia	3,371	3,110	6,608
Europe	1,580	4,034	2,575

SEASONAL AVAILABILITY OF PRODUCTS

The availability of products during the course of each year is as follows:

PRODUCT	AVAILABILITY
California avocados	All year
Chilean avocados	August to January
Mexican avocados	July to June
New Zealand avocados	August to December
Papayas	All year
Processed products	All year, with production scheduled to bridge the low availability months of August and September

PATENTS AND TRADEMARKS

There are no patents or trademarks on Calavo's products other than the Calavo name and related brand names.

WORKING CAPITAL REQUIREMENTS

For most of Calavo's fresh and processed products, payments must be made to growers and other suppliers in advance of Calavo's collection of receivables from the sale of the products. This generally requires seasonal borrowings by Calavo. Crop loans and other advances by Calavo to growers also require seasonal borrowings by Calavo.

BACKLOG

Customers do not order products significantly in advance of the shipment of the products. Customers typically order perishable products two to ten days in advance of shipment, and they typically order processed products one to thirty days in advance of shipment.

RESEARCH AND DEVELOPMENT

Calavo does not conduct a material amount of research and development, and the cooperative has not incurred material expenses for research and development during recent years. As a normal function, however, Calavo does continuously attempt to refine the quality of its processed avocado products.

COMPLIANCE WITH GOVERNMENT REGULATIONS

In California, the State Department of Food and Agriculture oversees the production of avocados and conducts tests for fruit quality and packaging standards. All packages are stamped with the state seal as meeting standards. The United States Department of Agriculture regulates imported products. All imports are subject to USDA review. Various states have some oversight as to weights and measures and quality issues. Furthermore, Calavo's operations at its packinghouses and processing facilities are subject to various federal, state, local and foreign laws and regulations relating to environmental matters. Calavo believes that it is in material compliance with all laws and regulations that govern its business operations.

EMPLOYEES

As of December 31, 2000, Calavo had 450 employees, 222 of whom were located in the United States and 228 of whom were located in Mexico. None of Calavo's United States employees is covered by a collective bargaining agreement. Approximately 195 of Calavo's Mexican employees are represented by a union. Calavo believes that its relations with employees are very good.

The following is a summary of the number of "salaried" and "hourly" employees as of October 31, 2000.

LOCATION	SALARIED	HOURLY
United States	100	121
Mexico	33	195
TOTAL	133	316

Agriculture is a seasonal industry. However, avocados have a wider window of production than most perishable commodities and, as a result, hourly personnel are more constant during the year compared to other products.

PRODUCTION AND OFFICE FACILITIES

Calavo owns its corporate headquarters building in Santa Ana, California. The building was purchased in 1997. Calavo also owns two packinghouses and one processing facility in California and leases one packinghouse and one processing facility in Mexico.

Calavo's two California packinghouses handle the fresh avocados delivered by growers. The Temecula, California facility was built in 1985 and has been improved in capacity and efficiency since 1985. The Santa Paula, California facility was purchased in 1955 and has had recent improvements to equal the Temecula facility. The combined annual capacity of the two packinghouses is over 200 million pounds under normal workweek operations.

The Santa Paula, California processing facility was built in 1975 and had a major expansion in 1988. The facility includes a storage freezer.

The Mexicali, Mexico processing plant was built to Calavo's specifications by the owner and is leased by Calavo through 2005. The annual capacity is in excess of 11 million pounds of product per year. The Uruapan, Mexico packinghouse was built to Calavo's specifications by the same owner and is leased by Calavo through 2008. The annual capacity is in excess of 50 million pounds.

Calavo believes that its facilities are sufficient to meet projected needs without major capital expenditures, assuming that state of the art methods do not radically change. Since improvements in food

processing technology are made on an ongoing basis, however, capital expenditures may be required in the future.

Calavo has made significant investments in its two Mexican facilities. As of October 31, 2000, the net book value of the facilities' property, plant and equipment was as follows:

	MEXICALI	URUAPAN	COMBINED
	(IN THOUSANDS)		
Cost basis	$2,525	$1,737	$4,262
Accumulated depreciation	2,066	471	2,537
Net Book Value at October 31, 2000	459	1,266	1,725

LEGAL PROCEEDINGS

From time to time, Calavo is subject to legal proceedings that are incidental to its business. Calavo is not currently subject to any legal proceedings that could have a material adverse effect upon its financial position or results of operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THE FOLLOWING DISCUSSION CONTAINS FORWARD-LOOKING STATEMENTS. THESE STATEMENTS ARE SUBJECT TO RISKS AND UNCERTAINTIES, INCLUDING THOSE DISCUSSED UNDER "RISK FACTORS," THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE ANTICIPATED. THE FOLLOWING DISCUSSION SHOULD BE READ IN CONJUNCTION WITH CALAVO'S CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES THERETO THAT ARE INCLUDED ELSEWHERE IN THIS INFORMATION STATEMENT/PROSPECTUS.

FISCAL YEAR ENDED OCTOBER 31, 2000 COMPARED TO FISCAL YEAR ENDED OCTOBER 31, 1999.

NET SALES

Net sales increased by 24.5% from $181.5 million to $225.9 million.

Member Avocados and Nonmember Perishable Products Segments. This segment was impacted by a strong consumer demand for avocados. Historically, increased supply translates into lower sales dollars, which did not prove to be the case in fiscal 2000. The higher fresh avocado prices stimulated additional imports of Chilean, Mexican and New Zealand avocados. Calavo is a major distributor of these imports. The sales increase included the results of an aggressive recruiting of avocados grown by nonmembers.

Processed Products Segment. Net sales of processed products increased by 10.5% from $29.6 million to $32.7 million. This increase was driven by strong food service sales which offset reduced sales of retail and club store products.

COST OF PRODUCT

The cost of product includes the processing and packing costs and payments to nonmember growers for their fresh fruit. On a consolidated basis, the cost of product increased by 38.0% by moving from $62.1 million to $85.7 million.

Member Avocados and Nonmember Perishable Products Segments. The total California avocado pounds increased by 45.0% year-to-year to 119.2 million pounds. The increased volume of pounds handled resulted in a proportionate increase in packing, storage and freight costs. In addition, the cost of avocados procured from Mexico, Chile and New Zealand, which is included in the cost of product, declined slightly as a percent of sales and was favorably impacted by an increase in volume.

Processed Products Segment. Cost of product decreased by 8.6% from $16.2 million to $14.8 million. A reduction in the acquisition cost of fruit was the major reason for the cost reduction.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Marketing and distribution costs increased by 6.2% with the major increase in nonmember and processed costs due to volume increases. Freight and handling costs increased by 33.6% which was also a result of volume increases. General and administrative costs increased by 34.3%. This was primarily attributable to an additional provision of $0.7 million for doubtful accounts recorded in connection with the bankruptcy of Ameriserve, one of the largest food service distributors in the United States. In addition, during fiscal year 2000, Calavo completed an upgrade in its financial reporting and operating systems which is being amortized over its useful life. An ongoing upgrade of its order processing and inventory management information systems continues into the subsequent year.

INTEREST

Net interest costs increased by 28.5% from $0.319 million to $0.410 million in fiscal 2000. The increase was primarily due to higher daily borrowings for working capital and the financing of certain capital projects. The working capital needs are driven by the timing differences between the payment of advances and costs of avocados and the collection of sales proceeds on an increasing volume of avocados.

PROVISION FOR INCOME TAXES

Calavo is subject to income taxes for all business activities other than the marketing and distribution of member products. Calavo had pretax income of $5.7 million in fiscal 2000 compared to taxable loss of $1.3 million during fiscal 1999. The provision for taxes was $2.2 million compared to a tax benefit of $0.4 million in the prior year. The effective tax rate for fiscal 2000 of 37.0% differs from statutory rates due primarily to state and foreign taxes and the benefit of lower federal brackets.

NET PROCEEDS DISTRIBUTED

Proceeds distributed by Calavo include payments to members for avocados delivered (member returns) and a dividend declared by the Board of Directors relating to the operations of the nonmember perishable products and processed products segments. Payments to members for avocados delivered increased by 9.7% year-to-year from $96.1 million to $105.4 million. In addition, Calavo's dividend from its nonmember segments increased 317.0% year-to-year from $1.2 million, or $0.12 per share, to $5.0 million, or $0.50 per share. The $0.50 per share dividend was distributed in January 2001.

FISCAL YEAR ENDED OCTOBER 31, 1999 COMPARED TO FISCAL YEAR ENDED OCTOBER 31, 1998

NET SALES

Net sales increased in each of Calavo's three operating segments by 19.2% from $152.2 million to $181.5 million.

Member Avocados and Nonmember Perishable Products Segments. The increase in sales was primarily attributable to a 43.6% year-to-year increase in nonmember fruit sales. In particular, Calavo experienced a 67.0% increase in imported avocados from Mexico and Chile and began procuring avocados from New Zealand. The United States market has become increasingly attractive to foreign-based avocado growers, due to the reduced California crop size and continued strong consumer demand.

Processed Products Segment. Net sales increased by 3.2% year-to-year from $28.7 million to $29.6 million. The processed segment experienced strong sales performance in its food service product lines offsetting weaker sales from its retail and club store product lines. During fiscal 1999, the processed products segment also experienced increased competition in its retail product line with several Mexican-based producers entering the market with aggressively priced products. Management believes that the entry of additional Mexican-based producers is a trend that is expected to continue.

COST OF PRODUCT

The cost of product includes processing and packing costs and payments to nonmember growers for their fruit. On a consolidated basis, Calavo's cost of product increased year-to-year by 27.4% from $48.8 million to $62.2 million.

Member Avocados and Nonmember Perishable Products Segments. Total pounds of member avocados decreased by 10.4% from 91.7 million pounds to 82.2 million pounds. The decreased volume resulted in a proportionate decrease in packing, storage and freight costs. The cost of procuring avocados from Mexican growers increased by $6.4 million during fiscal 1999 which represented the first year of year-round operations of Calavo's Uruapan, Mexico packing plant. The first year's operation of the Mexican plant resulted in an increase of 800.0% in avocados packed.

Processed Products Segment. Cost of product for processing increased by 10.9% year-to-year from $14.6 million to $16.2 million. The increase relates to the increased sales volume and a small rise in fruit costs from fiscal 1998.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses increased 36.0% year-to-year from $3.4 million to $4.6 million. The increase was primarily attributable to the write-off of $0.6 million of costs incurred in the

implementation of a management information system when that project was abandoned. In addition, Calavo paid increased bonuses of $0.7 million to its employees in connection with improved operating results. These increases in general and administrative expenses were offset by a 5.0% year-to-year decline in marketing and distribution costs from $14.4 million to $13.7 million as a result of lower processed retail product sales volume.

INTEREST

Net interest costs increased from $0.055 million to $0.319 million. The increase in interest was primarily attributable to higher daily borrowing for working capital and the financing of certain capital projects. The increased working capital requirements related principally to higher short-term borrowings to finance the increased sales volume of California and foreign-grown avocados. Calavo's fiscal 1999 results also include interest charges relating to loans secured to finance the equipping of the Uruapan, Mexico packinghouse and a full year of interest on a loan secured to finance the purchase and to improve Calavo's corporate headquarters facility.

INCOME TAX BENEFIT

Calavo is subject to income taxes for all business activities other than the marketing and distribution of member products. Calavo incurred a taxable loss of $1.3 million during fiscal 1999 as compared to taxable income of $1.9 million during fiscal 1998. The income tax benefit of $0.4 million for fiscal 1999 compares to a provision of $0.7 million for fiscal 1998. The effective tax rate for fiscal 1999 of 48.0% differs from statutory rates due primarily to state and foreign taxes and the benefit of lower federal brackets.

NET PROCEEDS DISTRIBUTED

Proceeds distributed by Calavo include payments to members for avocados delivered (member returns) and a dividend declared by the Board of Directors relating to the operations of the nonmember perishable products and processed products segments. Payments to members for avocados delivered increased by 22.2% year-to-year from $78.6 million to $96.1 million. In addition, Calavo's dividend from its nonmember segments decreased 25% from $1.6 million to $1.2 million, or from $0.17 per share to $0.12 per share in fiscal 1999.

THREE MONTHS ENDED JANUARY 31, 2001 COMPARED TO THREE MONTHS ENDED JANUARY 31, 2000

NET SALES

Net sales increased by 1.0% from $40.0 million to $40.4 million.

Member Avocados and Nonmember Perishable Products Segments. The California crop is at a low level of harvest in the first quarter of each year. The 2000/01 crop size is forecasted by Calavo to be about 50.0% larger than the prior year's size. Sales of California avocados were flat compared to the prior year's first quarter, with more volume offset by lower average selling prices.

The Chilean, Mexican and other nonmember product sales increased by 4.8%. The sales of New Zealand fruit decreased as this fruit moved into the market earlier than last year.

Processed Products Segment. Sales decreased by 4.2% from the prior year's first quarter. Sales to the food service market increased, but this was more than offset by a decline in retail and club store market sales.

COST OF PRODUCT

Total cost of product increased $0.9 million from $21.7 million to $22.6 million, or 4.4%.

Member Avocados and Nonmember Perishable Products Segments. Costs of member avocados increased in proportion to the crop delivery increase of 53.0%. Several areas had period-to-period increases, with grower incentive programs up by $0.250 million.

Costs of nonmember products increased by 5.8% in the cost of fruit and packing costs. This was slightly ahead of sales growth of 4.8%. Freight and handling costs increased by 32.9% with the increased volume being shipped.

Processed Products Segment. Processed product costs decreased by 14.0% with lower costs of fruit being the major cost reduction, a trend that is not anticipated to continue for the balance of the year. Promotional costs increased significantly, with major increases in the highly competitive food service product line. Freight and handling costs increased by 160%.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative costs had an increase of 52%. The incentive bonus payout in December was above the prior year. This was partially offset by higher miscellaneous income being received in the first quarter of 2001.

INTEREST

Net interest costs declined by $0.018 million. This was the result of a later than normal payout of the year-end dividend which normally is paid in December. This year, the payment was made almost 30 days later.

The grower loan program had a higher level of participation than last year, which resulted in higher interest income to Calavo. This offset higher interest costs.

PROVISION FOR INCOME TAXES

Calavo had pretax income of $1.9 million in the first quarter from the nonmember and processed segments. This was down from $1.3 million in the prior year's first quarter. An effective tax rate of 34.0% is being used in fiscal 2001. The effective tax rate differs from the statutory rates due primarily to state and foreign taxes and the benefit of lower federal brackets.

NET PROCEEDS DISTRIBUTED

Members received proceeds in excess of available dollars due to the use of a level operating charge based on the full year's projected volume. It is normal for Calavo to operate at a deficit in the first quarter of each fiscal year as this is the low volume period for avocado harvesting in California. The nonmember and processed net income is retained during the year and is available for distribution by Calavo upon finalization of its year-end operating results.

LIQUIDITY AND CAPITAL RESOURCES

Working capital increased from $10.3 million as of October 31, 1999 to $13.9 million as of October 31, 2000 before payment of the nonmember perishable products and processed products segment dividend. The current ratio improved from 1.4:1.0 as of October 31, 1999 to 1.7:1.0 as of October 31, 2000. Working capital decreased from $13.9 million as of October 31, 2000 to $6.8 million as of January 31, 2001 primarily as a result of the payment of the dividend in January 2001, prepaid promotion expenses, capital projects and long-term debt reductions.

Cash provided by operating activities in fiscal 2000 was $3.0 million compared to cash used of $6.4 million for fiscal 1999. Fiscal 2000 operating cash flow reflects the nonmember income of $4.8 million

and non-cash charges for depreciation and amortization of $1.7 million offset by a net working capital decrease of $3.5 million.

Cash used in operating activities for fiscal 1999 resulted principally from an increase in accounts receivable which more than offset nonmember net income and an increase in trade and member payables. Cash provided in fiscal 1998 by operating activities approximated the nonmember-member net income.

Investing activities used $1.7 million in fiscal 2000, compared to $1.5 million in fiscal 1999. Capital expenditures for fiscal 2000 were $1.3 million, which was the same amount as in fiscal 1999.

Cash used in financing activities was $1.3 million during fiscal 2000 as compared to $6.9 million provided by financing activities during fiscal 1999. During fiscal 2000, proceeds from additional borrowings of $1.6 million were offset by the payment of dividends of $1.2 million and payments of long-term obligations of $1.8 million. During fiscal 1999, proceeds from additional borrowings of $8.7 million and issuance of capital stock of $0.4 million were offset by a payment of dividends of $1.6 million and payments of long-term obligations of $0.5 million.

Management believes that cash flows from operations and additional borrowings will be sufficient to satisfy Calavo's future capital expenditures, nonmember recruitment, working capital and other financing requirements for at least the next twelve months. Calavo will continue to evaluate nonmember grower recruitment opportunities and additional capital expenditures to expand each of the business segments. In order to finance such growth, New Calavo may seek to obtain borrowings or issue additional shares of common stock. There can be no assurance that financing for such growth will be available on favorable terms, or at all.

As of October 31, 2000, Calavo had outstanding borrowings of $9.0 million under working capital lines of credit with two banks and had a total of $17.5 million of available credit under these lines of credit. The consent of the lenders to the merger with New Calavo is required under the lines of credit. For additional information regarding the terms of Calavo's credit facilities, see Notes 6 and 7 to the Consolidated Financial Statements that are included in this Information Statement/Prospectus.

As of October 31, 2000, Calavo had approximately $0.350 million of material commitments for capital expenditures, which related to the purchase of additional field bins for grower deliveries and for an expansion to existing avocado ripening facilities. As of January 31, 2001, there were $2.4 million of projected capital projects which had not been funded by external sources.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Calavo's financial instruments include cash and cash equivalents and United States government bonds with a maturity date of August 15, 2005. The government bonds are held in an irrevocable trust to be used solely for the satisfaction of scheduled payments of interest and principal relating to Calavo's industrial development revenue bonds. As these securities are intended to be held until maturity, they are being carried on the balance sheet at October 31, 2000 at $1.590 million representing their amortized cost. The market value of these securities as of October 31, 2000 approximated $1.604 million.

Calavo was not a party to any derivative financial instruments during fiscal 2000. Calavo does not intend to use derivative instruments for speculative or trading purposes.

IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Calavo does not presently engage in hedging activities. In addition, Calavo has reviewed its agreements with third parties and has determined that it has no derivative instruments and that none of its agreements contained embedded derivative instruments as of October 31, 2000. Accordingly, the adoption of Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities -- Deferral of the Effective Date of FASB Statement No. 133," and

SFAS No. 138, "Accounting for Derivative Instruments and Hedging Activities," did not have a material impact on Calavo's consolidated financial statements.

In December, 1999, the SEC issued Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements." SAB No. 101 summarized the SEC staff's views regarding the application of accounting principles generally accepted in the United States to revenue recognition in financial statements. The application of SAB No. 101 did not have a material impact on Calavo's consolidated financial statements.

MANAGEMENT OF CALAVO

DIRECTORS

The following table identifies Calavo's current directors and sets forth certain information concerning them, including their districts and terms of office. Each director is a member of Calavo and markets avocados through the cooperative. Each of the following persons also serves as a director of New Calavo and will continue to do so after the conversion. Beginning with the first annual meeting of New Calavo's shareholders and continuing at every annual shareholders' meeting thereafter, all of New Calavo's directors will be elected to serve one-year terms. See "Comparison of the Rights of Calavo's and New Calavo's Shareholders -- Election of Directors."

NAME AND ADDRESS	AGE	DISTRICT	TERM EXPIRES
Lecil E. Cole 1750 Orcutt Road Santa Paula, CA 93060	61	1	2001
Edward P. Smith 29363 Gordon Hill Road Valley Center, CA 92082	70	2	2002
George H Barnes 31510 Laurel Ridge Valley Center, CA 92082	68	3	2001
Fred J. Ferrazzano 3101 Foxhall Glen Escondido, CA 92029-6826	67	4	2002
Roy V. Keenan P.O. Box 205 Temecula, CA 92593	65	5	2001
Alva V. Snider 3410 Alta Vista Fallbrook, CA 92028	85	6	2002
Scott Van Der Kar 7017 Shepard Mesa Drive Carpinteria, CA 93013	46	7	2001
J. Link Leavens P.O. Box 4278 Ventura, CA 93007	49	8	2002
Dorcas H. Thille 14053 Foothill Road Santa Paula, CA 93060	69	9	2001
John M. Hunt P. O. Box 1343 Goleta, CA 93116	43	10	2002

Lecil E. Cole. Mr. Cole has been a member of the Board of Directors since February 1982 and serves as Calavo's Chairman, Chief Executive Officer and President. He is also a former executive of Safeway Stores, the past Chairman of Central Coast Federal Land Bank and the Chairman and President of Hawaiian Sweet Inc. and Tropical Hawaiian Products, Inc. Mr. Cole farms a total of 4,430 acres in California and Hawaii on which avocados, papayas and cattle are produced and raised.

Edward P. Smith. Mr. Smith has been a member of the Board of Directors since February 1997. He is a retired engineering manager with Interstate Electronics Corp.

George H. Barnes. Mr. Barnes has been a member of the Board of Directors since January 2000. He has been a real estate broker with Matthews & O'Donnell since 1995.

Fred J. Ferrazzano. Mr. Ferrazzano has been a member of the Board of Directors since August 1985. He has been the President and Chief Executive Officer of Ferrazzano Farms, Inc. since 1973 and the President and Chief Executive Officer of Westbridge Estates, Inc. since 1989. He is a retired Commander in the United States Navy and has a degree in engineering science from the United States Naval Postgraduate School.

Roy V. Keenan. Mr. Keenan has been a member of the Board of Directors since February 1994 and an avocado grower since 1981. He is a retired Vice President of a building contractor firm and has a master's degree in aeronautics and astronautics from the Massachusetts Institute of Technology.

Alva V. Snider. Mr. Snider has been a member of the Board of Directors since February 1987. He has been the owner and manager of a ten-acre avocado and specialty crop grove since 1968. He is a retired manager of Shell Chemical Corp and has a master's degree in organic chemistry from Oregon State University.

Scott Van Der Kar. Mr. Van Der Kar has been a member of the Board of Directors since February 1994. He is a manager of Van Der Kar Family Farms. He is a member of the boards of the California Cherimoya Association, the Santa Barbara County Farm Bureau and the Santa Barbara County Workforce Investment Board. He has a bachelor's degree in farm management from California Polytechnic State University, San Luis Obispo.

J. Link Leavens. Mr. Leavens has been a member of the Board of Directors since February 1987. He is the President of the Ventura County Resource Conservation District and is a member of the Ventura County Agricultural Land Trust. Mr. Leavens is a former President of the Ventura County Farm Bureau, and he has a bachelor's degree in plant and soil science from California Polytechnic State University, Pomona, and a master's degree in business administration from California Lutheran University.

Dorcas H. Thille. Mrs. Thille has been a member of the Board of Directors since February 1986. She is the owner and manager of a 291-acre farm on which avocados, lemons and vegetables are grown. She is a member of the boards of the Saticoy Lemon Association, the Agricultural Issues Center and the Agricultural Council of California.

John M. Hunt. Mr. Hunt has been a member of the Board of Directors since February 1993. He is the General Manager of Embarcadero Ranch and has a bachelor's degree in plant soil science from California Polytechnic State University, San Luis Obispo.

COMMITTEES OF THE BOARD

Executive. The Executive Committee exercises the authority of the Board of Directors when the Board is not in session, as permitted by law and by policy. Its members are Messrs. Cole, Keenan, Leavens, Snider and Van Der Kar.

Finance. The Finance Committee reviews Calavo's financial structure, policies and procedures and internal controls. Its members are Messrs. Keenan, Barnes, Hunt, Leavens and Snider.

Grower Relations. The Grower Relations Committee reviews membership issues. Its members are Mrs. Thille and Messrs. Barnes, Smith, Snider and Van Der Kar.

Process. The Process Committee reviews the results and planning for the processed segment of Calavo's business. Its members are Messrs. Leavens, Ferrrazzano, Hunt, Keenan, Smith and Van Der Kar.

COMPENSATION OF DIRECTORS

Each member of the Board of Directors receives a fee of $200 per Board meeting and $100 per committee meeting plus a mileage reimbursement of $0.325 per mile for travel to and from meetings. The Chairman of the Board receives an additional $100 per meeting.

EXECUTIVE OFFICERS

The following table identifies Calavo's executive officers and sets forth certain information concerning them. Each of the following persons also serves in the same position as an executive officer of New Calavo and will continue to do so after the conversion. Each executive officer of Calavo and New Calavo serves at the discretion of the corporation's Board of Directors.

NAME	AGE	POSITION
Lecil E. Cole	61	Chairman of the Board, Chief Executive Officer and President
Egidio Carbone, Jr.	60	Vice President, Finance and Corporate Secretary
Robert J. Wedin	52	Vice President, Sales & Fresh Marketing
Alan C. Ahmer	52	Vice President, Sales, Food Service/Retail
Avi Crane	47	Vice President, International
Gerard J. Watts	42	Vice President, General Manager, Calavo de Mexico

Lecil E. Cole. Mr. Cole has served as Chairman of the Board since 1988 and as Chief Executive Officer and President since February 1999. He is also a grower and member of Calavo. For additional information regarding Mr. Cole, see "Management of Calavo -- Directors."

Egidio Carbone, Jr. Mr. Carbone has served as a Vice President and Corporate Secretary of Calavo since 1980 and prior to that he was Treasurer and Controller.

Robert J. Wedin. Mr. Wedin has served as a Vice President of Calavo since 1993. He joined Calavo in 1973 at its Santa Barbara packinghouse.

Alan C. Ahmer. Mr. Ahmer has served as a Vice President of Calavo since 1989. He joined Calavo in 1979 as a regional sales manager in the processed products division.

Avi Crane. Mr Crane joined Calavo in 1999 as a Vice President. Prior to that he was employed by a competitor, Chiquita Brands, Inc., and by the California Avocado Commission.

Gerard J. Watts. Mr. Watts has been a Vice President of Calavo since 1992. He joined Calavo in 1981 in its processed products division.

EXECUTIVE COMPENSATION

The following table shows the compensation of Calavo's Chief Executive Officer and four other most highly compensated executive officers for the fiscal year ended October 31, 2000.

SUMMARY COMPENSATION TABLE

	ANNUAL COMPENSATION(1)			
NAME AND PRINCIPAL POSITION	YEAR	SALARY	BONUS	ALL OTHER COMPENSATION(2)
Lecil E. Cole Chairman, Chief Executive Officer and President	2000	$240,000	$100,000	$12,000
Egidio Carbone, Jr Vice President	2000	164,496	36,037	17,257
Gerard J. Watts Vice President	2000	136,236	36,969	6,986
Robert J. Wedin Vice President	2000	136,956	20,000	8,139
Alan C. Ahmer Vice President	2000	127,260	26,406	7,460

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(1) In accordance with SEC regulations, this table does not include perquisites and other personal benefits valued at the lesser of $50,000 or 10% of the total salary and bonus reported for the named

executive officer. Amounts reported under Annual Compensation include amounts deferred by the named executive officers under Calavo's 401(k) plan.

(2) Amounts reported for Mr. Carbone under All Other Compensation include $7,873 that Calavo contributed on his behalf to its 401(k) plan and $9,384 that Calavo accrued for his benefit under the supplemental executive retirement agreement described below. Amounts reported under All Other Compensation for every other named executive officer were contributed by Calavo to its 401(k) plan for the named executive officer.

EMPLOYEE BENEFITS

Calavo provides a 401(k) plan for all employees. Salaried employees may contribute an amount up to defined limits, and Calavo contributes 4% of base salary plus a matching percentage up to a maximum of 6%. Amounts contributed by Calavo vest at the rate of 25% per year.

Hourly employees may contribute amounts to the plan, but Calavo does not make matching contributions. Calavo contributes a fixed amount per hour worked to a multiple employer trust for each such employee.

Calavo maintains for all full-time employees health and medical insurance, dental insurance, vision care, short-term and long-term disability and term life insurance.

SUPPLEMENTAL EXECUTIVE RETIREMENT AGREEMENT

Calavo has entered into a supplemental executive retirement agreement with Mr. Carbone. Calavo has agreed to provide Mr. Carbone with a monthly payment following his retirement equal to 20% of his final five-year average annual base salary divided by 12 and reduced by an amount equal to his monthly social security benefits.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS; COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Each of Calavo's directors is a member of the cooperative and markets avocados through Calavo pursuant to a marketing agreement that is identical to the marketing agreements that Calavo has entered into with its other members. Mr. Cole, Calavo's Chairman of the Board, Chief Executive Officer and President, is involved in setting member pool proceeds on a monthly basis. He receives normal crop proceeds at the same rate as other members and in the same weekly pool.

The Board of Directors, of which Mr. Cole is a member, determines the compensation of Calavo's executive officers. However, Mr. Cole does not participate in decisions of the Board regarding his compensation as an executive officer.

Mr. Cole is the owner of Tropical Hawaiian Products, Inc. Pursuant to a marketing agreement, Calavo markets Tropical Hawaiian's papayas on a non-exclusive consignment basis and remits monthly proceeds to Tropical Hawaiian from the sale of the papayas. Mr. Cole is not involved in the calculation of the monthly payments, although he does assist Calavo in setting the sales prices that are charged to Calavo's customers for the papayas. Tropical Hawaiian also markets papayas under its own brand name without the involvement of Calavo. Calavo believes that the terms of its marketing agreement with Mr. Cole's company are as favorable to Calavo as it could obtain in a contract with an unaffiliated third party. During the fiscal year ended October 31, 2000, Tropical Hawaiian received $2,062,394 of sales proceeds from Calavo.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

With respect to each person known by Calavo to be the beneficial owner of more than five percent of its common stock, each director of Calavo, each of the executive officers named in the Summary Compensation Table presented above and all of Calavo's directors and executive officers as a group, the following table sets forth the number of shares of common stock beneficially owned as of January 31, 2001 by each such person or group and the percentage of the outstanding shares of the common stock beneficially owned as of January 31, 2001 by each such person or group. No such person or group owns any shares of Calavo preferred stock. Unless otherwise indicated, each of the following shareholders has, to Calavo's knowledge, sole voting and investment power with respect to the shares beneficially owned, except to the extent that such authority is shared by spouses under applicable law.

On the effective date of the merger of Calavo into New Calavo, each of the following persons and groups (together with every other shareholder of Calavo) will acquire shares of New Calavo common stock that are equal in number to the shares of Calavo common stock that are owned by such person or group as of the effective date of the merger. At all times prior to the effective date of the merger, Calavo will be the sole shareholder of New Calavo.

NAME OF BENEFICIAL OWNER	SHARES OF COMMON STOCK BENEFICIALLY OWNED AS OF JANUARY 31, 2001	PERCENT OF COMMON STOCK BENEFICIALLY OWNED AS OF JANUARY 31, 2001
Lecil E. Cole(1)	787,654	7.9%
Edward P. Smith(2)	28,792	0.3
George H. Barnes	5,799	0.1
Fred J. Ferrazzano	105,102	1.1
Roy V. Keenan(3)	333,689	3.4
Alva V. Snider(4)	8,884	0.1
Scott Van Der Kar(5)	40,507	0.4
J. Link Leavens(6)	198,823	2.0
Dorcas H. Thille	19,044	0.2
John M. Hunt(7)	132,822	1.3
Egidio Carbone, Jr	0	0
Robert J. Wedin	0	0
Gerard J. Watts	0	0
Alan C. Ahmer	0	0
All directors and executive officers as a group (15 persons)	1,661,116	16.8%

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(1) Mr. Cole's address is 1750 Orcutt Road, Santa Paula, California 93060.

(2) Information presented for Mr. Smith includes 28,792 shares held in a family trust and with respect to which Mr. Smith has voting and investment power as trustee.

(3) Information presented for Mr. Keenan includes 225,187 shares of common stock that are held in two trusts and with respect to which Mr. Keenan has voting and investment power as trustee.

(4) Information presented for Mr. Snider includes 8,884 shares held in a family trust and with respect to which Mr. Snider has voting and investment power as trustee.

(5) Information presented for Mr. Van Der Kar includes 40,507 shares held in a family trust and with respect to which Mr. Van Der Kar shares voting and investment power as a trustee.

(6) Information presented for Mr. Leavens includes 198,823 that are owned of record by a partnership of which Mr. Leaven is a partner. Mr. Leavens shares voting and investment power with respect to the shares.

(7) Information presented for Mr. Hunt includes 132,822 shares that are owned by his employer, Embarcadero Ranch. Mr. Hunt shares voting and investment power with respect to the shares.

To Calavo's knowledge, there are two non-directors who each control more than 2.0% of the outstanding shares of common stock. Hidden Valley Ranch owned approximately 2.4% of the outstanding Calavo common stock as of January 31, 2001, and Chandler Ranch Company owned approximately 2.4% of the outstanding common stock as of that date.

Mr. Cole is the only executive officer who owns any shares of Calavo common stock. George Hatfield, who is a non-executive officer of Calavo and is also a grower-member of the cooperative, owned approximately 0.5% of the outstanding Calavo common stock as of January 31, 2001. Several non-officer employees who are also grower-members own small amounts of Calavo common stock. Shares of Calavo common stock are owned by a large number of individuals, partnerships, trusts and corporations, with the average shareholder owning approximately 6,400 shares or 0.06% of the total shares outstanding.

As of the record date of   , 2001,   shares of preferred stock were outstanding. Holders of Calavo preferred stock do not have voting rights on any matter except as expressly required by law. The shares of preferred stock are held by former members. Calavo has the right to redeem the shares at $1.00 per share. The shares of preferred stock will be converted into shares of New Calavo common stock on the effective date of the merger of Calavo into New Calavo.

LEGAL MATTERS

Troy & Gould Professional Corporation has issued an opinion concerning the validity of the shares of the common stock of New Calavo that will be issued pursuant to the merger with Calavo and has also issued an opinion concerning certain federal income tax consequences of the merger.

EXPERTS

The financial statements of Calavo Growers of California and subsidiaries as of October 31, 2000 and 1999, and for each of the three years in the period ended October 31, 2000, included in this Information Statement/Prospectus, and the related financial statement schedule for each of the three years in the period ended October 31, 2000, included elsewhere in the Registration Statement on Form S-4, have been audited by Deloitte & Touche, LLP, independent auditors, as stated in their reports appearing herein and elsewhere in the Registration Statement. The balance sheet of Calavo Growers, Inc. as of January 31, 2001, included in this Information Statement/Prospectus, has also been audited by Deloitte & Touche, LLP, independent auditors, as stated in their report appearing herein and elsewhere in the Registration Statement. Such financial statements and financial statement schedule have been included herein and elsewhere in the Registration Statement in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

CALAVO GROWERS, INC.

CALAVO GROWERS OF CALIFORNIA
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholder of
Calavo Growers, Inc.:

We have audited the accompanying balance sheet of Calavo Growers, Inc. as of January 31, 2001. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statement presents fairly, in all material respects, the financial position of the Company as of January 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

Costa Mesa, California
April 20, 2001

CALAVO GROWERS, INC.

BALANCE SHEET
JANUARY 31, 2001

ASSETS	$ --
SHAREHOLDER'S EQUITY:	
Common stock, par value $0.001 per share, 100,000,000 shares authorized, 100 shares issued	$ 0.10
Receivable from parent company	(0.10)
Total shareholder's equity	$ --

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

CALAVO GROWERS, INC.

NOTES TO BALANCE SHEET
JANUARY 31, 2001

1. BACKGROUND OF ORGANIZATION

Calavo Growers, Inc. (New Calavo) was incorporated on January 5, 2001 under the California General Corporation Law, for the purpose of effectuating the conversion of Calavo Growers of California and subsidiaries (Calavo) from a nonprofit cooperative association that is organized under the California Food and Agricultural Code to a corporation organized under the General Corporation Law of California and subject to income taxes in accordance with Subchapter C of the Internal Revenue Code. The conversion of Calavo will be achieved in accordance with the terms of the Agreement and Plan of Merger and Reorganization between Calavo Growers, Inc. and Calavo Growers of California, dated February 20, 2001 (the Agreement).

For purposes of convenience this financial statement has been dated January 31, 2001. New Calavo has not conducted business or activity other than in connection with the Agreement (related expenses are the responsibility of Calavo).

2. SHAREHOLDER'S EQUITY

The initial authorized capital stock of New Calavo consists of 100,000,000 shares of common stock, par value $0.001 per share. One hundred shares have been issued and are outstanding. The shares were issued to Calavo and are unpaid. Accordingly, through the conversion date New Calavo will remain a wholly owned subsidiary of Calavo.

3. MERGER AND REORGANIZATION AGREEMENT

The Agreement, which has been approved by the Board of Directors of each company, calls for the holders of shares of common and preferred Calavo stock to receive an equivalent number of shares of New Calavo common stock. Concurrent with this exchange of securities, the original 100 shares of common stock held by Calavo will be canceled and the related receivable will be forgiven. Finally, New Calavo and Calavo will merge with New Calavo emerging as the surviving entity assuming all rights and obligations of the business of Calavo.

The Agreement is subject to approval by the grower members of Calavo, its lenders, and the expiration of Calavo's Board of Directors' right to elect not to proceed with the conversion.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New Calavo will generally adopt all accounting policies of Calavo, with the exception of those items specific to agricultural marketing cooperatives. Such changes in accounting policies include the tax exempt status, which will cease, inventory, which will be recorded at the lower of cost or market, and certain line items on the statement of operations, which will be reclassed.

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Calavo Growers of California
Santa Ana, California

We have audited the accompanying consolidated balance sheets of Calavo Growers of California and subsidiaries (Calavo or the Cooperative) as of October 31, 2000 and 1999, and the related consolidated statements of operations and member proceeds, shareholders' equity, and cash flows for each of the three years in the period ended October 31, 2000. These financial statements are the responsibility of the Cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Calavo Growers of California and subsidiaries as of October 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended October 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

Costa Mesa, California
December 14, 2000, except for the second paragraph of
Note 14 as to which the date is February 20, 2001

CALAVO GROWERS OF CALIFORNIA AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	OCTOBER 31, 1999	OCTOBER 31, 2000	JANUARY 31, 2001 (UNAUDITED)
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 1,458,000	$ 1,492,000	$ 22,000
Accounts receivable, net of allowance for doubtful accounts of $69,000 (2001) (unaudited), $49,000 (2000), and $2,500 (1999)	22,321,000	21,632,000	17,793,000
Inventories, net	5,996,000	7,726,000	10,874,000
Prepaid expenses and other current assets	2,356,000	1,326,000	1,632,000
Loans to growers	27,000	1,086,000	1,603,000
Income taxes receivable	1,161,000		459,000
Deferred income taxes	868,000	537,000	537,000
Total current assets	34,187,000	33,799,000	32,920,000
Property, plant, and equipment, net	9,508,000	9,044,000	9,303,000
Investments held to maturity	1,176,000	1,590,000	1,590,000
Other assets	1,571,000	2,052,000	2,739,000
	$46,442,000	$46,485,000	$46,552,000
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Payable to members	$ 6,762,000	$ 4,726,000	$ 8,122,000
Trade accounts payable	2,438,000	2,867,000	1,283,000
Accrued expenses	4,405,000	2,791,000	3,208,000
Short-term borrowings	8,400,000	8,985,000	12,400,000
Current portion of long-term obligations	748,000	501,000	501,000
Dividend payable	1,180,000		
Total current liabilities	23,933,000	19,870,000	25,514,000
Long-Term Liabilities:			
Long-term obligations, less current portion	4,331,000	3,820,000	3,544,000
Deferred income taxes	601,000	360,000	360,000
Total long-term liabilities	4,932,000	4,180,000	3,904,000
Commitments and Contingencies			
Shareholders' Equity:			
Redeemable preferred stock, $1 par value; 10,000,000 shares authorized; 47,000 shares issued and outstanding in 2001 and 2000		47,000	47,000
Common stock, $1 par value; 10,000,000 shares authorized; 9,909,000 (2001) (unaudited), 9,867,000 (2000), and 9,847,000 (1999) shares issued and outstanding	9,847,000	9,867,000	9,909,000
Additional paid-in capital	110,000	156,000	178,000
Unallocated retained earnings	7,621,000	12,365,000	7,000,000
Treasury stock, 1,000 shares	(1,000)		
Total shareholders' equity	17,577,000	22,435,000	17,134,000
	$46,442,000	$46,485,000	$46,552,000

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

CALAVO GROWERS OF CALIFORNIA AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND MEMBER PROCEEDS

	YEAR ENDED OCTOBER 31,			THREE MONTHS ENDED JANUARY 31,	
	1998	1999	2000	2000	2001
				(UNAUDITED)	(UNAUDITED)
Net sales	$152,194,000	$181,480,000	$225,869,000	$40,000,000	$40,449,000
Costs and expenses:					
Processing and packing	48,769,000	62,154,000	85,696,000	21,683,000	22,628,000
Marketing and distribution	14,432,000	13,701,000	14,549,000	2,728,000	2,711,000
Freight and handling	4,621,000	4,892,000	6,534,000	1,114,000	2,059,000
General and administrative	3,370,000	4,584,000	6,155,000	1,010,000	1,535,000
Total costs and expenses	71,192,000	85,331,000	112,934,000	26,535,000	28,933,000
Operating proceeds and nonmember gross profit	81,002,000	96,149,000	112,935,000	13,465,000	11,516,000
Gain on sale of facility	1,575,000				
Interest income	163,000	71,000	304,000	39,000	74,000
Interest expense	(218,000)	(390,000)	(714,000)	(180,000)	(198,000)
Other income	25,000	37,000	40,000		
(Decrease) increase in members' fresh fruit inventories	(106,000)	696,000	(292,000)	2,346,000	1,471,000
Operating proceeds and nonmember income before income tax provision (benefit)	82,441,000	96,563,000	112,273,000	15,670,000	12,863,000
Income tax provision (benefit)	730,000	(408,000)	2,162,000	594,000	456,000
Net proceeds available for distribution and nonmember net income	81,711,000	96,971,000	110,111,000	15,076,000	12,407,000
Net proceeds distributed for member fruit	(78,597,000)	(96,090,000)	(105,367,000)	(14,808,000)	(12,799,000)
Receivable from members due to distributions in excess of available proceeds	(91,000)				
Excess distribution to members		3,000	20,000	1,051,000	1,301,000
Appropriation for capital expenditures	(1,375,000)				
Net income from nonmember products	$ 1,648,000	$ 884,000	$ 4,764,000	$1,319,000	$ 909,000
Basic and diluted net income per share from nonmember products	$ 0.17	$ 0.09	$ 0.48	$ 0.13	$ 0.09
Weighted-average common shares outstanding, basic and diluted	9,605,000	9,572,000	9,849,000	9,839,000	9,936,000

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

CALAVO GROWERS OF CALIFORNIA AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	UNALLOCATED RETAINED EARNINGS	TREASURY STOCK	TOTAL
	SHARES	AMOUNT	SHARES	AMOUNT				
Balance, November 1, 1997	--	$ --	9,619,000	$9,619,000	$ --	$ 6,545,000	$(17,000)	$16,147,000
Retirement of common stock and member privileges			(8,000)	(8,000)				(8,000)
Issuance of treasury stock							4,000	4,000
Appropriation for capital expenditures						1,375,000		1,375,000
Net income from nonmember products						1,648,000		1,648,000
Dividend declared to shareholders						(1,648,000)		(1,648,000)
Balance, October 31, 1998			9,611,000	9,611,000		7,920,000	(13,000)	17,518,000
Retirement of common stock and member privileges			(59,000)	(59,000)				(59,000)
Issuance of stock and reinstatement of members			295,000	295,000	110,000			405,000
Issuance of treasury stock							12,000	12,000
Excess distribution to members						(3,000)		(3,000)
Net income from nonmember products						884,000		884,000
Dividend declared						(1,180,000)		(1,180,000)
Balance, October 31, 1999			9,847,000	9,847,000	110,000	7,621,000	(1,000)	17,577,000
Retirement of common stock and member privileges			(18,000)	(18,000)				(18,000)
Issuance of stock and reinstatement of members			85,000	85,000	46,000			131,000
Issuance of treasury stock							1,000	1,000
Excess distribution to members						(20,000)		(20,000)
Conversion of common stock to preferred stock	47,000	47,000	(47,000)	(47,000)				
Net income from nonmember products						4,764,000		4,764,000
Balance, October 31, 2000	47,000	47,000	9,867,000	9,867,000	156,000	12,365,000		22,435,000
Retirement of common stock and member privileges (unaudited)								
Issuance of stock and reinstatement of members (unaudited)			42,000	42,000	22,000			64,000
Excess distribution to members (unaudited)						(1,301,000)		(1,301,000)
Net income from nonmember products (unaudited)						909,000		909,000
Dividend declared to shareholders (unaudited)						(4,973,000)		(4,973,000)
Balance, January 31, 2001 (unaudited)	47,000	$47,000	9,909,000	$9,909,000	$178,000	$ 7,000,000	$	$17,134,000

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

CALAVO GROWERS OF CALIFORNIA AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED OCTOBER 31,			THREE MONTHS ENDED JANUARY 31,	
	1998	1999	2000	2000	2001
				(UNAUDITED)	(UNAUDITED)
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income from nonmember products	$ 1,648,000	$ 884,000	$ 4,764,000	$ 1,319,000	$ 909,000
Adjustments to reconcile net income from nonmember products to net cash provided by (used in) operating activities:					
Depreciation and amortization	1,456,000	1,750,000	1,748,000	411,000	543,000
Excess distribution to members				(1,051,000)	(1,301,000)
Gain on sale of facility	(1,575,000)				
Provision for losses on accounts receivable	15,000	50,000	717,000	100,000	17,000
(Gain) loss on disposal of property, plant, and equipment	(8,000)	351,000	(13,000)		
Effect on cash of changes in operating assets and liabilities:					
Accounts receivable	(397,000)	(9,635,000)	(28,000)	3,664,000	3,822,000
Inventories, net	1,030,000	91,000	(1,730,000)	(3,700,000)	(3,148,000)
Income taxes receivable	283,000	(920,000)	1,161,000	551,000	(459,000)
Deferred income taxes	733,000	(510,000)	90,000		
Prepaid expenses and other assets	1,102,000	(3,305,000)	549,000	68,000	(993,000)
Loans to growers		(27,000)	(1,059,000)	(861,000)	(517,000)
Payable to members	(1,405,000)	2,462,000	(2,036,000)	3,842,000	3,396,000
Trade accounts payable and accrued expenses	(1,418,000)	2,520,000	(1,185,000)	(2,889,000)	(1,167,000)
Other long-term liabilities		(49,000)			
Net cash provided by (used in) operating activities	1,464,000	(6,338,000)	2,978,000	1,454,000	1,102,000
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sale of property, plant, and equipment	1,635,000	65,000	26,000		
Acquisitions of property, plant, and equipment	(4,873,000)	(1,324,000)	(1,297,000)	(289,000)	(802,000)
Purchases of investments	(46,000)	(264,000)	(414,000)		
Net cash used in investing activities	(3,284,000)	(1,523,000)	(1,685,000)	(289,000)	(802,000)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Dividend to shareholders	(480,000)	(1,648,000)	(1,180,000)	(1,180,000)	(4,973,000)
Proceeds (payments) from borrowings and issuance of debt	1,435,000	8,673,000	1,585,000	(970,000)	3,415,000
Proceeds from issuance of capital stock		405,000	131,000	5,000	64,000
Proceeds (payments) of long-term obligations	(2,159,000)	(463,000)	(1,758,000)	79,000	(276,000)
Retirement of common stock and member privileges	(8,000)	(59,000)	(18,000)	(13,000)	
Proceeds from the issuance of treasury stock	4,000	12,000	1,000	1,000	
Retention of funds for capital expenditures	1,375,000				
Excess distribution to members		(3,000)	(20,000)		
Net cash provided by (used in) financing activities	167,000	6,917,000	(1,259,000)	(2,078,000)	(1,770,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,653,000)	(944,000)	34,000	(913,000)	(1,470,000)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,055,000	2,402,000	1,458,000	1,458,000	1,492,000
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,402,000	$ 1,458,000	$ 1,492,000	$ 545,000	$ 22,000
SUPPLEMENTAL INFORMATION --					
Cash paid during the year for:					
Interest	$ 267,000	$ 268,000	$ 249,000	$ 166,000	$ 183,000
Income taxes	$ 241,000	$ 955,000	$ 696,000	$	$ 1,000,000
NONCASH INVESTING AND FINANCING ACTIVITIES:					
Declared nonpatronage dividends	$ 1,648,000	$ 1,180,000	$ --	$	$
Conversion of common stock to preferred stock	$ --	$ --	$ 47,000	$	$

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

CALAVO GROWERS OF CALIFORNIA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General -- Calavo Growers of California and subsidiaries (Calavo or the Cooperative) is an agricultural marketing cooperative association organized for the purpose of processing and marketing avocados delivered by its members, and processing and marketing nonmember products. The consolidated financial statements include the accounts of Calavo Growers of California and its wholly owned subsidiaries, Calavo Foods, Inc. (CFI); Calavo de Mexico S.A. de C.V.; and Calavo Foods de Mexico S.A. de C.V. All intercompany accounts and transactions have been eliminated.

The Cooperative's customer base, to which credit is granted, includes food distributors, produce wholesalers, supermarkets, and restaurants.

The Cooperative conducts operations in Mexico at two different facilities and is subject to certain concentration risks that are inherent in conducting operations on an international basis.

Basis of Presentation -- The accompanying consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America.

Interim Financial Statements (Unaudited) -- The accompanying consolidated balance sheet as of January 31, 2001, and the statements of operations and member proceeds and cash flows for the three months ended January 31, 2000 and 2001, and the statement of shareholders' equity for the three months ended January 31, 2001 and related notes thereto are unaudited, but in the opinion of management, include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of results for these interim periods. The results of operations for the three months ended January 31, 2001 are not necessarily indicative of the results to be expected for the entire fiscal year.

Cash and Cash Equivalents -- The Cooperative considers cash and cash equivalents to be all highly liquid financial instruments purchased with an original maturity date of three months or less.

Inventories -- Members' fresh fruit inventories are valued at market value. Other inventories are stated at the lower of cost on a weighted-average basis or market.

Loans to Growers -- The Cooperative sponsors a grower loan program. The grower loan program generally provides for loans to be advanced to members bearing interest at prime plus 2% and are repayable in a 12-month period. The loans are secured by the members' avocado crop.

Property, Plant, and Equipment -- Property, plant, and equipment are stated at cost and depreciated over their estimated useful lives, ranging from three to 30 years, using the straight-line method. Leasehold improvements are stated at cost and amortized over the lesser of their estimated useful lives or the term of the lease, using the straight-line method.

Long-Lived Assets -- The Cooperative accounts for the impairment and disposition of long-lived assets in accordance with Statement of Financial Accounting Standards (SFAS) No. 121, Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of. In accordance with SFAS No. 121, long-lived assets to be held are reviewed for events or changes in circumstances which indicate that their carrying value may not be recoverable and at least review such assets annually for any impairment. Management has evaluated its long-lived assets, using estimates of undiscounted future cash flows, and has not identified any impairment as of October 31, 2000.

Investments -- The Cooperative accounts for its investments in debt securities in accordance with SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. The Cooperative has classified all of its investment portfolio as "held-to-maturity." In accordance with SFAS No. 115, investments classified as held-to-maturity are carried at amortized cost.

Net Sales -- Sales from processed products are recorded when the product is shipped and title passes. Fresh fruit sales are recorded when both the product is shipped and the market price is known. Calavo provides for certain promotional allowances at the time of shipment, based on the Cooperative's historical experience.

Costs and Expenses -- Costs of processing and packing include purchases of nonmember products and products purchased and used in the processing and packing operations. Costs of marketing and distribution include storage, brokerage, promotion, and related costs.

Use of Estimates -- The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Income Taxes -- The Cooperative accounts for income taxes under the provisions of SFAS No. 109, Accounting for Income Taxes. This statement requires the recognition of deferred tax liabilities and assets for the future consequences of events that have been recognized in the Cooperative's consolidated financial statements or tax returns. Measurement of the deferred items is based on enacted tax laws. In the event the future consequences of differences between financial reporting bases and tax bases of the Cooperative's assets and liabilities result in a deferred tax asset, SFAS No. 109 requires an evaluation of the probability of being able to realize the future benefits indicated by such asset. A valuation allowance related to a deferred tax asset is recorded when it is more likely than not that some portion or all of the deferred tax asset will not be realized.

Member Avocado Proceeds -- Proceeds from the sale of avocados delivered by members are allocated to members on the basis of their individual shares of the established value of each avocado pool. This "pool basis" of accounting is utilized for the determination of proceeds distributable to members. The difference between net operating proceeds financial basis, as reported in the accompanying financial statement, and net proceeds pool basis (available for distribution), as reported to members, is the increase or decrease in members' fresh fruit inventories between years.

As approved by the Board of Directors, during the years ended October 31, 2000 and 1999, the Cooperative made distributions of $20,000 and $3,000 in excess of proceeds available. The excess distribution was charged to retained earnings.

As approved by the Board of Directors, during the year ended October 31, 1997, the Cooperative made distributions of $91,000 in excess of proceeds available. This amount was included in payables to members as a contra-liability. During the year ended October 31, 1998, the Cooperative recaptured $91,000 from available proceeds.

Basic and Dilutive Net Income Per Common Share from Nonmember Products -- The Cooperative presents "basic" earnings per share (which excludes dilution) and "diluted" earnings per share in accordance with SFAS No. 128, Earnings Per Share. Basic net income per share is computed by dividing net income by the weighted-average number of shares of common stock outstanding. As the nonvoting preferred stock participates in dividends on a basis equivalent to common stock (Note 9), the outstanding preferred shares are included in the weighted-average common shares outstanding. There are no potentially dilutive securities outstanding at October 31, 2000, 1999, and 1998.

Recent Accounting Pronouncements -- The Cooperative does not presently engage in hedging activities. In addition, the Cooperative has reviewed its agreements and has determined that it has no derivative instruments, nor do any of its agreements contain embedded derivative instruments as of October 31, 2000. Accordingly, the adoption of SFAS No. 133, Accounting for Derivative Instruments and

CALAVO GROWERS OF CALIFORNIA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Hedging Activities, as amended by SFAS No. 137, Accounting for Derivative Instruments and Hedging Activities -- Deferral of the Effective Date of FASB Statement No. 133, and SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, did not have a material impact on the Cooperative's consolidated financial statements on November 1, 2000.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101, Revenue Recognition in Financial Statements. SAB No. 101 summarizes the staff's view in applying accounting principles generally accepted in the United States of America to revenue recognition in financial statements. The application of SAB No. 101 did not have a material impact on the Cooperative's consolidated financial statements.

Comprehensive Income -- Comprehensive income is defined as all changes in a company's net assets, except changes resulting from transactions with shareholders. There was no difference between comprehensive income and net income from nonmember products for the fiscal years ended October 31, 2000, 1999, and 1998.

Reclassifications -- Certain items in the prior period financial statements have been reclassified to conform to the current period presentation.

2. INVENTORIES

	1999	2000
Member:		
Packaging supplies	$ 483,000	$ 732,000
Fresh fruit	989,000	697,000
	1,472,000	1,429,000
Nonmember:		
Fresh fruit, packaging supplies, and ingredients	1,220,000	1,431,000
Finished goods	3,304,000	4,866,000
	4,524,000	6,297,000
	$5,996,000	$7,726,000

As of October 31, 2000 and 1999, the reserve for obsolescence is approximately $29,000.

3. PROPERTY, PLANT, AND EQUIPMENT

	1999	2000
Land	$ 1,177,000	$ 1,177,000
Buildings and improvements	9,257,000	9,516,000
Leasehold improvements	417,000	165,000
Equipment	22,089,000	21,887,000
Software	153,000	153,000
Construction in progress		7,000
	33,093,000	32,905,000
Less accumulated depreciation	(23,585,000)	(23,861,000)
	$ 9,508,000	$ 9,044,000

4. INVESTMENTS HELD-TO-MATURITY

Investments are made in U.S. government bonds bearing interest at 6.2% with a maturity date of August 15, 2005. The interest income generated from the bonds is reinvested in a money market fund. The investments are held in an irrevocable trust to be used solely for the satisfaction of scheduled payments of interest and principal relating to the Industrial Development Revenue Bonds (Note 7).

	1999	2000
Cost	$1,176,000	$1,590,000
Fair value	$1,164,000	$1,604,000

5. OTHER ASSETS

During 1999, the Cooperative established a Grower Development Program whereby the Cooperative may advance funds to new member producers in exchange for the commitment by the new member producer to deliver to the Cooperative a minimum volume of avocados. As of October 31, 2000, the Cooperative has a secured advance of $2,000,000 on a cumulative basis to new members participating in the Grower Development Program. Such advances are amortized over the multiyear term of the agreement.

6. SHORT-TERM BORROWINGS

The Cooperative maintains short-term borrowing agreements with various banks. Under the terms of the various agreements, the Cooperative is advanced funds for working capital purposes. Total credit available under the combined short-term borrowing agreements was $26,500,000 and $9,100,000 at October 31, 2000 and 1999, with interest at a weighted-average rate of 7.58% and 6.21% at October 31, 2000 and 1999. The Cooperative had outstanding borrowings of $8,985,000 and $8,400,000 as of October 31, 2000 and 1999, under these agreements. The short-term borrowing agreements contain certain financial covenants with which the Cooperative was in compliance at October 31, 2000 and 1999.

7. LONG-TERM OBLIGATIONS

	1999	2000
Riverside County Variable Rate Demand Industrial Development Revenue Bonds, due in 2005, plus interest at variable rates (3.95% and 3.1% at October 31, 2000 and 1999, respectively)	$2,800,000	$2,800,000
Revolving term loans, noncollateralized, payable in variable annual installments through November 2003, plus interest at variable rates (8.59% and 6.84% at October 31, 2000 and 1999, respectively)	$2,243,000	$1,459,000
Other	36,000	62,000
	5,079,000	4,321,000
Less current portion	(748,000)	(501,000)
	$4,331,000	$3,820,000

The revolving term loans contain certain financial covenants with which the Cooperative was in compliance at October 31, 2000 and 1999.

CALAVO GROWERS OF CALIFORNIA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The Riverside County Variable Industrial Development Revenue Bonds (the Bonds) are collateralized by property and equipment with a net book value of $1,989,000 at October 31, 2000. The lending agreement contains certain financial covenants with which the Cooperative was in compliance at October 31, 2000 and 1999. As required by the Bond's lending agreement, the Cooperative has posted a $2,800,000 standby letter of credit from a bank, which matures on September 16, 2001 (Note 4).

At October 31, 2000, annual debt payments are as follows:

	REVENUE BOND	REVOLVING LOAN	OTHER	TOTAL
Year ending October 31:				
2001	$ --	$ 484,000	$17,000	$ 501,000
2002		484,000	18,000	502,000
2003		376,000	17,000	393,000
2004		50,000	5,000	55,000
2005	2,800,000	65,000	5,000	2,870,000
	$2,800,000	$1,459,000	$62,000	$4,321,000

8. EMPLOYEE BENEFIT PLANS

The Cooperative has a defined contribution retirement plan for salaried employees and makes contributions to a pension plan for hourly employees. Expenses of the plans were $362,000 and $327,000 for the years ended October 31, 2000 and 1999, which are included in general and administrative expenses in the accompanying financial statements.

The Company sponsors a defined benefit plan for its top executives. Pension expenses totaled $27,000, $54,000, and $64,000 for the years ended October 31, 2000, 1999, and 1998, which are included in general and administrative expenses in the accompanying financial statements.

Pension expense consists of the following components:

	1998	1999	2000
Service cost	$21,000	$19,000	$ 5,000
Interest cost	43,000	35,000	22,000
Total net periodic pension cost	$64,000	$54,000	$27,000

The following is a reconciliation of the unfunded status of the plans included in trade accounts payable and accrued expenses.

	1998	1999	2000
Projected benefit obligation	$495,000	$439,000	$435,000
Unrecognized net gain	65,000	107,000	88,000
Recorded pension liabilities	$560,000	$546,000	$523,000

Significant assumptions used in the determination of pension expense consist of the following:

	1998	1999	2000
Discount rate on projected benefit obligation	6.5%	8.0%	8.0%
Rate of future salary increases	5.0%	5.0%	5.0%

9. SHAREHOLDERS' EQUITY

During 1996, the Cooperative's membership (the Members) voted to amend the articles of incorporation and exchange their Revolving Fund Credits (RFCs) for common stock in the Cooperative. Current Members were also given the option to purchase former nonconsenting Member RFCs. These transactions were completed in January 1997, resulting in the conversion of all RFCs to 9,623,000 shares of common stock net of certain adjustments.

All Members are required to hold common stock of the Cooperative and such common stock is considered permanent equity of the Cooperative. Members are allowed to transfer shares between other Members; however, once they cease to be Members, they must sell their shares to other Members or exchange their shares for preferred nonvoting stock. In fiscal year 2000, 47,000 preferred shares were exchanged for common shares. The Cooperative, at its discretion, may redeem any outstanding preferred nonvoting stock at $1 per share. Such preferred nonvoting stock participates in dividends on a basis equivalent to common stock. Members that own preferred shares may convert their shares to common stock on a one-to-one basis. Nonmembers who own preferred stock shall not be entitled to exercise such conversion privilege.

The Board of Directors declared a dividend related to the year ended October 31, 2000, subsequent to fiscal year end (Note 14).

The Board of Directors approved payments of dividends of $1,180,000 and $1,648,000 for the years ended October 31, 1999 and 1998, from the operations of nonmember products. For the years ended October 31, 1999 and 1998, Calavo stockholders shared in nonmember product dividends in proportion to their ownership in Calavo stock.

10. COMMITMENTS AND CONTINGENCIES

The Cooperative is committed to cash payments for some of its facilities and certain equipment under noncancelable operating leases expiring at various dates through 2007, as follows:

2001	$1,076,000
2002	1,040,000
2003	873,000
2004	750,000
2005	496,000
Thereafter	730,000
	$4,965,000

Rental expenses amounted to $1,155,000, $1,242,000, and $1,022,000 for the years ended October 31, 2000, 1999, and 1998.

Litigation -- The Cooperative is involved in litigation in the ordinary course of business, none of which management believes will have a material adverse impact on the Cooperative.

11. RELATED-PARTY TRANSACTIONS

Sales of papaya, on behalf of an entity owned by the chairman of the Board of Directors, amounted to $2,062,000, $1,897,000, and $2,624,000 for the years ended October 31, 2000, 1999, and 1998, and $819,000 for the quarter ended January 31, 2001 (unaudited), resulting in gross profits of $198,000, $200,000, $236,000, and $60,000. Included in trade accounts payable and accrued expenses were $235,000, $285,000, and $245,000 at October 31, 2000, 1999, and 1998, and $230,000 at January 31, 2001 (unaudited), due to the above entity.

CALAVO GROWERS OF CALIFORNIA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. INCOME TAXES

The income tax provision (benefit) consists of the following for the year ended October 31:

	1998	1999	2000
Current:			
Federal	$(36,000)	$ (27,000)	$1,550,000
State	33,000	(8,000)	522,000
Foreign		137,000	
Total current	(3,000)	102,000	2,072,000
Deferred	733,000	(510,000)	90,000
Total income tax provision (benefit)	$730,000	$(408,000)	$2,162,000

At October 31, 2000 and 1999, the Cooperative's gross deferred tax assets totaled $537,000 and $868,000, while gross deferred tax liabilities totaled $360,000 and $601,000. Deferred income tax assets and liabilities consist of the tax effects of temporary differences related to the following at October 31:

	1999	2000
Allowance for doubtful accounts	$ 1,000	$ 76,000
Inventories	225,000	474,000
Deferred state taxes	1,000	(13,000)
Net operating loss carryforwards	640,000	
Other	1,000	
Current deferred income taxes	$ 868,000	$ 537,000
Property, plant, and equipment	$(641,000)	$(589,000)
Retirement benefits	40,000	229,000
Long-term deferred income taxes	$(601,000)	$(360,000)

The Cooperative is subject to income taxes for all business activities other than the marketing and distribution of Member products. During the years ended October 31, 2000 and 1998, the Cooperative incurred pretax income of $5,715,000 and $1,912,000. During the year ended October 31, 1999, the Cooperative incurred an operating loss of $1,257,000 for tax purposes.

The following is a reconciliation (in thousands) of the Cooperative's pretax book income for the years ended October 31:

	1998	1999	2000
Operating proceeds and nonmember income before income tax provision (benefit)	$ 82,441	$ 96,563	$ 112,273
Net proceeds distributed for member fruit	(78,597)	(96,090)	(105,367)
Other nonspecific expense allocations	(1,932)	(1,730)	(1,191)
Pretax income (loss)	$ 1,912	$ (1,257)	$ 5,715

CALAVO GROWERS OF CALIFORNIA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

A reconciliation of the significant differences between the federal statutory income tax rate and the effective income tax rate on pretax income (loss) is as follows:

	1998	1999	2000
Federal statutory tax at 35%	35%	35%	35%
State taxes, net of federal effects	6	4	5
Foreign income taxes in excess of (less than) U.S		11	(2)
Benefit of lower federal tax brackets			(1)
Nondeductible meals and entertainment	1	(2)	
Resolution of tax contingency	(14)		
Other	1		
Provision (benefit) for income taxes	29%	48%	37%

13. INFORMATION REGARDING THE COOPERATIVE'S OPERATIONS IN DIFFERENT SEGMENTS

The Cooperative offers for sale a wide range of Member- and nonmember-sourced food products. These products have been separated into three principal segments of business based on the Cooperative's management structure and information used by the president to measure performance and allocate resources. The Member avocado segment includes all operations that involve the distribution of Member avocados. The nonmember perishable product segment includes both operations related to distribution of fresh avocados from nonmembers and distribution of other nonavocado fruits. The processed products segment represents all operations related to the purchase, manufacturing, and distribution of processed avocado products. Those costs that can be specifically identified with a particular product line are charged directly to that product line. For the years ended October 31, 2000, 1999, and 1998, marketing and distribution costs and general and administrative expenses were allocated based on five-year average sales dollars. The Cooperative does not allocate specific assets to these segments.

CALAVO GROWERS OF CALIFORNIA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts are presented in thousands):

	QUARTER ENDED JANUARY 31, 2001			
	MEMBER AVOCADOS	NONMEMBER PERISHABLE PRODUCTS	PROCESSED PRODUCTS	TOTAL
	(UNAUDITED)			
Net sales	$ 14,255	$18,617	$7,577	$ 40,449
Costs and expenses:				
Processing and packing	2,246	16,862	3,520	22,628
Marketing and distribution	548	369	1,794	2,711
Freight and handling	322	767	970	2,059
General and administrative	1,145	194	196	1,535
Total costs and expenses	4,261	18,192	6,480	28,933
Operating proceeds and nonmember gross profit	9,994	425	1,097	11,516
Interest income (expense)	33	(69)	(88)	(124)
Increase in Members' fresh fruit inventories	1,471			1,471
Operating proceeds and nonmember income before income tax provision	11,498	356	1,009	12,863
Income tax provision		119	337	456
Net proceeds available for distribution and nonmember net income	11,498	237	672	12,407
Net proceeds distributed for Member fruit	(12,799)			(12,799)
Excess distribution to members	1,301			1,301
Net income from nonmember products	$ --	$ 237	$ 672	$ 909

CALAVO GROWERS OF CALIFORNIA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts are presented in thousands):

	YEAR ENDED OCTOBER 31, 2000			
	MEMBER AVOCADOS	NONMEMBER PERISHABLE PRODUCTS	PROCESSED PRODUCTS	TOTAL
Net sales	$ 123,667	$69,458	$32,744	$ 225,869
Costs and expenses:				
Processing and packing	9,689	61,212	14,795	85,696
Marketing and distribution	2,504	1,467	10,578	14,549
Freight and handling	1,759	3,138	1,637	6,534
General and administrative	4,110	706	1,339	6,155
Total costs and expenses	18,062	66,523	28,349	112,934
Operating proceeds and nonmember gross profit	105,605	2,935	4,395	112,935
Interest income (expense)	54	(175)	(289)	(410)
Other income		20	20	40
Decrease in Members' fresh fruit inventories	(292)			(292)
Operating proceeds and nonmember income before income tax provision	105,367	2,780	4,126	112,273
Income tax provision	20	671	1,471	2,162
Net proceeds available for distribution and nonmember net income	105,347	2,109	2,655	110,111
Net proceeds distributed for Member fruit	(105,367)			(105,367)
Excess distribution to members	20			20
Net income from nonmember products	$ --	$ 2,109	$ 2,655	$ 4,764

CALAVO GROWERS OF CALIFORNIA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts are presented in thousands):

	QUARTER ENDED JANUARY 31, 2000			
	MEMBER AVOCADOS	NONMEMBER PERISHABLE PRODUCTS	PROCESSED PRODUCTS	TOTAL
	(UNAUDITED)			
Net sales	$ 14,327	$17,765	$7,908	$ 40,000
Costs and expenses:				
Processing and packing	1,656	15,935	4,092	21,683
Marketing and distribution	464	339	1,925	2,728
Freight and handling	164	577	373	1,114
General and administrative	612	143	255	1,010
Total costs and expenses	2,896	16,994	6,645	26,535
Operating proceeds and nonmember gross profit	11,431	771	1,263	13,465
Interest expense, net	(19)	(59)	(63)	(141)
Increase in Members' fresh fruit inventories	2,346			2,346
Operating proceeds and nonmember income before income tax provision	13,758	712	1,200	15,670
Income tax provision	1	221	372	594
Net proceeds available for distribution and nonmember net income	13,757	491	828	15,076
Net proceeds distributed for Member fruit	(14,808)			(14,808)
Excess distribution to members	1,051			1,051
Net income from nonmember products	$ --	$ 491	$ 828	$ 1,319

CALAVO GROWERS OF CALIFORNIA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts are presented in thousands):

	YEAR ENDED OCTOBER 31, 1999			
	MEMBER AVOCADOS	NONMEMBER PERISHABLE PRODUCTS	PROCESSED PRODUCTS	TOTAL
Net sales	$111,559	$40,285	$29,636	$181,480
Costs and expenses:				
Processing and packing	8,464	37,506	16,184	62,154
Marketing and distribution	3,342	700	9,659	13,701
Freight and handling	1,063	2,640	1,189	4,892
General and administrative	3,261	505	818	4,584
Total costs and expenses	16,130	41,351	27,850	85,331
Operating proceeds and nonmember gross profit (loss)	95,429	(1,066)	1,786	96,149
Interest expense, net	(96)	(131)	(92)	(319)
Other income	37			37
Increase in Members' fresh fruit inventories	696			696
Operating proceeds and nonmember income before income tax (benefit) provision	96,066	(1,197)	1,694	96,563
Income tax (benefit) provision	(21)	(700)	313	(408)
Net proceeds available for distribution and nonmember net income	96,087	(497)	1,381	96,971
Net proceeds distributed for Member fruit	(96,090)			(96,090)
Excess distribution to members	3			3
Net income (loss) from nonmember products	$ --	$ (497)	$ 1,381	$ 884

CALAVO GROWERS OF CALIFORNIA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts are presented in thousands):

	YEAR ENDED OCTOBER 31, 1998			
	MEMBER AVOCADOS	NONMEMBER PERISHABLE PRODUCTS	PROCESSED PRODUCTS	TOTAL
Net sales	$ 95,418	$28,052	$28,724	$152,194
Costs and expenses:				
Processing and packing	9,404	24,774	14,591	48,769
Marketing and distribution	3,447	806	10,179	14,432
Freight and handling	1,281	2,120	1,220	4,621
General and administrative	2,226	363	781	3,370
Total costs and expenses	16,358	28,063	26,771	71,192
Operating proceeds and nonmember gross profit (loss)	79,060	(11)	1,953	81,002
Gain on sale of facility	1,575			1,575
Interest (expense) income	(25)	9	(39)	(55)
Other income	25			25
Decrease in Members' fresh fruit inventories	(106)			(106)
Operating proceeds and nonmember income before income tax provision (benefit)	80,529	(2)	1,914	82,441
Income tax provision (benefit)	466	(424)	688	730
Net proceeds available for distribution and nonmember net income	80,063	422	1,226	81,711
Net proceeds distributed for Member fruit	(78,597)			(78,597)
Receivable from Members due to distributions in excess of available proceeds (Note 1)	(91)			(91)
Appropriation for capital expenditures	(1,375)			(1,375)
Net income from nonmember products	$ --	$ 422	$ 1,226	$ 1,648

Long-lived assets attributed to geographic areas as of October 31 are as follows:

	UNITED STATES	MEXICO	CONSOLIDATED
2000	$10,358,000	$2,328,000	$12,686,000
1999	$ 9,761,000	$2,494,000	$12,255,000

CALAVO GROWERS OF CALIFORNIA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following table sets forth sales by product category for each year ended October 31.

	1998	1999	2000
		(IN THOUSANDS)	
California avocados -- members	$ 91,461	$107,357	$117,878
California avocados -- nonmembers		3,405	23,057
Chilean avocados	13,531	18,355	20,538
Mexican avocados	6,828	11,240	13,802
New Zealand avocados		1,273	3,672
Miscellaneous purchased avocados	1,290	1,154	1,094
Papayas	2,624	1,981	2,061
Mangos	1,150	4	
Others	71		
Processed -- food service	20,363	21,261	27,225
Processed -- retail and club	8,351	8,375	5,519
Processed -- miscellaneous	10		
Total sales -- F.O.B.	145,679	174,405	214,846
Freight and other charges	6,515	7,075	11,023
	$152,194	$181,480	$225,869

14. SUBSEQUENT EVENTS

In December 2000, the Company declared a dividend in the amount of approximately $4,973,000, which is expected to be paid in January 2001.

On February 20, 2001, the Board of Directors unanimously voted to recommend to the Cooperative's shareholders to convert from a California nonprofit cooperative association into a California for-profit corporation called Calavo Growers, Inc. (the Company). To accomplish the conversion, if approved, the Cooperative will merge into the Company and all outstanding common and preferred shares of the Cooperative will be exchanged for common stock of the Company.

APPENDIX A

AGREEMENT AND PLAN OF MERGER AND REORGANIZATION

This Agreement and Plan of Merger and Reorganization (the "Agreement") is entered into as of February 20, 2001 between Calavo Growers of California ("Calavo"), a nonprofit cooperative association that is organized under the California Food and Agricultural Code, and Calavo Growers, Inc. ("New Calavo"), a corporation that is organized under the California General Corporation Law (the "California Corporation Law").

RECITALS

A. Calavo's Board of Directors has determined that it is in the best interests of Calavo and its shareholders to convert Calavo into a corporation that is organized under and governed by the California Corporation Law. New Calavo is a wholly owned subsidiary of Calavo, and Calavo has approved this Agreement as the sole shareholder of New Calavo.

B. The Boards of Directors of Calavo and New Calavo have approved this Agreement and intend that this Agreement shall constitute a plan of reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1968, as amended. Pursuant to this Agreement, Calavo shall be merged into New Calavo, and New Calavo shall continue as the surviving corporation.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, Calavo and New Calavo hereby agree as follows:

1. The Merger. At the Effective Time (as defined below), Calavo shall be merged into New Calavo (the "Merger") upon the terms and conditions described in this Agreement and in accordance with the California Corporation Law. The Merger shall become effective on such date and at such time (jointly referred to herein as the "Effective Time") as a short-form agreement of merger substantially in the form of Exhibit A attached hereto and incorporated herein, together with all officers' certificates that are required under the California Corporation Law, are filed by Calavo and New Calavo with the California Secretary of State pursuant to the California Corporation Law as promptly as practicable after the satisfaction or waiver (where permissible) of the closing conditions that are described below in Section 6.

2. Effect of the Merger. At the Effective Time, the separate existence of Calavo shall terminate, and New Calavo shall continue as the surviving corporation. The Merger shall have the effect prescribed by the California Corporation Law. Without limiting the generality of the preceding sentence, at the Effective Time New Calavo automatically shall succeed to all of the rights and properties of Calavo and shall be subject to all of the debts and liabilities of Calavo in the same manner as if New Calavo had itself incurred them.

3. Articles of Incorporation and Bylaws of New Calavo. The Articles of Incorporation and Bylaws of New Calavo that are in effect immediately prior to the Effective Time shall remain in effect after the Merger unless and until they are subsequently amended as provided by applicable law.

4. Officers and Directors. Each officer and director of New Calavo shall continue to hold office after the Merger until his or her successor is duly elected or until his or her earlier death, resignation or removal.

5. Conversion of Shares. At the Effective Time:

(a) Each share of the preferred stock and common stock of Calavo that is outstanding immediately prior to the Effective Time automatically shall be converted into one share of the common stock of New Calavo without the necessity for further action on the part of the holder of such share; and

(b) Each share of the common stock of New Calavo that is outstanding immediately prior to the Effective Time shall be cancelled without payment of any consideration therefor.

6. Closing Conditions. The Merger shall occur as promptly as practicable after the satisfaction of each of the following conditions, provided, however, that any of the following conditions may be waived by a writing executed by Calavo and New Calavo if and to the extent that such waiver is permitted by applicable law:

(a) This Agreement and the transactions contemplated hereby shall have been approved by Calavo's shareholders;

(b) The Registration Statement on Form S-4 that has been filed with the Securities and Exchange Commission regarding the shares of common stock that New Calavo will issue in the Merger shall have become effective and shall not be subject to any stop order suspending its effectiveness or to any proceeding seeking a stop order;

(c) All permits, consents and approvals that are required from the California Department of Corporations and other applicable state securities regulatory authorities regarding the offer and sale of New Calavo common stock in the Merger shall have been obtained;

(d) Calavo shall have obtained all necessary consents to the Merger from its lenders and any other parties whose consents are required under contracts to which Calavo is a party; and

(e) There shall not be in effect any judgment, regulation, order or injunction of any court or governmental authority that prohibits the Merger.

7. Further Assurances. Calavo and New Calavo shall take such further actions and execute such further documents as may be necessary or advisable in order to carry out the terms of this Agreement.

8. Amendment and Termination. This Agreement (including Exhibit A hereto) may be amended by a writing executed by Calavo and New Calavo at any time prior to the Effective Time. However, after the approval of Calavo's shareholders has been obtained, no amendment of this Agreement that changes its principal terms may be made without the further approval of such shareholders. This Agreement may be terminated by action of the Board of Directors of Calavo at any time prior to the Effective Time, whether before or after shareholder approval has been obtained.

9. Counterparts. This Agreement may be executed in two counterparts, each of which shall be deemed an original but both of which shall constitute one and the same instrument.

10. Governing Law. This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of California without giving effect to the conflict of law principles of such state.

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

CALAVO GROWERS OF CALIFORNIA

By: /s/ LECIL E. COLE

Lecil E. Cole
Chairman, Chief Executive Officer
and President

By: /s/ EGIDIO CARBONE, JR.

Egidio Carbone, Jr.
Vice President, Finance and
Corporate Secretary

CALAVO GROWERS, INC.

By: /s/ LECIL E. COLE

Lecil E. Cole
Chairman, Chief Executive Officer
and President

By: /s/ EGIDIO CARBONE, JR.

Egidio Carbone, Jr.
Vice President, Finance and
Corporate Secretary

EXHIBIT A

AGREEMENT OF MERGER

This Agreement of Merger (the "Agreement") is entered into as of February 20, 2001 between Calavo Growers of California, a nonprofit cooperative association that is organized under the California Food and Agricultural Code (the "Merging Corporation"), and Calavo Growers, Inc., a corporation that is organized under the California General Corporation Law (the "Surviving Corporation").

1. The Merging Corporation shall be merged into the Surviving Corporation. The effect of the merger and the effective time of the merger are as prescribed by applicable law.

2. At the effective time of the merger, (i) each outstanding share of the preferred stock and common stock of the Merging Corporation shall be converted into one share of the common stock of the Surviving Corporation, and (ii) each outstanding share of the stock of the Surviving Corporation shall be cancelled without payment of any consideration therefor.

3. The Articles of Incorporation and Bylaws of the Surviving Corporation that are in effect immediately prior to the effective time of the merger shall remain in effect after the merger unless and until they are subsequently amended as provided by applicable law.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

CALAVO GROWERS OF CALIFORNIA

By: /s/ LECIL E. COLE

Lecil E. Cole
Chairman, Chief Executive Officer
and President

By: /s/ EGIDIO CARBONE, JR.

Egidio Carbone, Jr.
Secretary

CALAVO GROWERS, INC.

By: /s/ LECIL E. COLE

Lecil E. Cole
Chairman, Chief Executive Officer
and President

By: /s/ EGIDIO CARBONE, JR.

Egidio Carbone, Jr.
Secretary

APPENDIX B

ARTICLES OF INCORPORATION
OF
CALAVO GROWERS, INC.

ARTICLE I

The name of this corporation is Calavo Growers, Inc. (the "Corporation").

ARTICLE II

The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

ARTICLE III

The name and address in the State of California of the Corporation's initial agent for service of process is: Egidio Carbone; 2530 Red Hill Avenue; Santa Ana, California 92705-5542.

ARTICLE IV

The Corporation is authorized to issue only one class of stock, which shall be designated common stock with a par value of $0.001 per share. The total number of shares that the Corporation is authorized to issue is One Hundred Million (100,000,000).

ARTICLE V

(a) The liability of the directors of the Corporation for monetary damages shall be eliminated to the fullest extent permissible under California law.

(b) The Corporation 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.

(c) Any amendment of this Article V shall not adversely affect any right or protection of an agent of the Corporation existing at the time of such amendment.

ARTICLE VI

Each of the following actions shall require the approval of at least seventy-five percent (75%) of the authorized number of directors that is set forth or established in accordance with the Corporation's Bylaws:

(a) The issuance by the Corporation of any shares of stock or of any options, warrants or other rights to acquire shares of stock;

(b) The amendment of these Articles of Incorporation, provided, however, that any approval of the Corporation's shareholders that is required by applicable law shall also be obtained in order for such amendment to be effective; or

(c) The adoption, amendment or repeal by the Corporation's Board of Directors of any Bylaws, provided, however, that the Corporation's shareholders shall also be entitled to adopt, amend or repeal Bylaws by the affirmative vote or written consent of a majority of the outstanding shares entitled to vote.

Dated: January 4, 2001

/s/ MARC L. BROWN

Marc L. Brown,
Incorporator

APPENDIX C

BYLAWS OF

CALAVO GROWERS, INC., A CALIFORNIA CORPORATION

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BYLAWS OF CALAVO GROWERS, INC.

ARTICLE I -- OFFICES

SECTION 1.01 Principal Office. The principal executive office of Calavo Growers, Inc. (the "CORPORATION") is hereby fixed and located at 2530 Red Hill Avenue, Santa Ana, California. The Board of Directors is hereby granted full power and authority to change said principal office from one location to another at any place or places where the Corporation is qualified to do business.

SECTION 1.02 Other Offices. Branch or subordinate offices may at any time be established by the Board of Directors at any place or places where the Corporation is qualified to do business.

ARTICLE II -- MEETINGS OF SHAREHOLDERS

SECTION 2.01 Place of Meetings. All meetings of shareholders shall be held either at the principal executive office or at any other place within or without the State of California which may be designated by the Board of Directors or by the shareholders by obtaining written consent of all the persons entitled to vote thereat.

SECTION 2.02 Annual Meetings. An annual meeting of shareholders shall be held each year on a date and at a time designated by the Board of Directors.

Notice of each annual meeting shall be given to each shareholder entitled to vote thereat, either personally or by first-class mail or other means of written communication, charges prepaid, addressed to such shareholder at the address appearing on the books of the Corporation for such shareholder or given by such shareholder to the Corporation for the purpose of notice. If no such address appears or is given, notice shall be deemed to have been given such shareholder if sent by mail or other means of written communication addressed to the place where the principal executive office of the Corporation is situated, or if published at least once in some newspaper of general circulation in the county in which said office is located.

All such notices shall be delivered personally, or deposited in the mail or sent by other means of written communication, to each shareholder entitled to vote thereat, not less than ten (10) nor more than sixty (60) days before such annual meeting, and shall specify the place, date and hour of such meeting and those matters which the Board of Directors, at the time of the giving of such notice, intends to present for action by the shareholders, including the names of nominees intended at the time of such notice to be presented by the Board of Directors for election to the Board of Directors. Such notice shall also state the general nature of the business or proposal to be considered or acted upon at such meeting before action may be taken at such meeting on:

(a) A proposal to approve a contract or other transaction between the Corporation and one (1) or more directors or any corporation, firm or association in which one (1) or more directors has a material financial interest;

(b) A proposal to amend the Articles of Incorporation;

(c) A proposal to approve a reorganization of the Corporation;

(d) A proposal to wind up and dissolve the Corporation; or

(e) A proposal to approve a plan of distribution of the shares, obligations or securities of any other corporation, or assets other than money, which is not in accordance with the liquidation rights of any preferred shares as specified in the Articles of Incorporation, in the process of the winding up of the Corporation.

SECTION 2.03 Special Meetings. Special meetings of the shareholders, for any purpose or purposes whatsoever, may be called at any time by the Chairman of the Board, the President, the Board of

Directors or by one (1) or more shareholders entitled to cast not less than ten percent (10%) of the votes at the meeting. Upon request in writing to the Chairman of the Board, the President, any Vice President or the Secretary by any person, other than the Board of Directors, entitled to call a special meeting of shareholders, such officer shall cause notice to be given forthwith, but in no event later than twenty (20) days after receipt of the request, that a meeting will be held at the time requested by the person or persons calling the meeting, which time shall be not less than thirty-five (35) and not more than sixty (60) days after receipt of the request. Except in special cases where other express provision is made by statute and as set forth herein, notice of such special meetings shall be given in the same manner as for annual meetings of shareholders. Notices of any special meeting shall specify, in addition to the place, date and hour of such meeting, the general nature of the business to be transacted.

SECTION 2.04 Adjourned Meetings and Notice Thereof. Any shareholders' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by a vote of a majority of the shares, the holders of which are either present in person or by proxy thereat, but in the absence of a quorum, no other business may be transacted at any such meeting except as provided in Section 2.07 of this Article.

When any shareholders' meeting, either annual or special, is adjourned for forty-five (45) days or less, the time and place of the adjourned meeting shall be announced at the meeting at which the adjournment is taken. When any shareholders' meeting, either annual or special, is adjourned for more than forty-five (45) days, or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the adjourned meeting as in the case of an original meeting. Except as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting, and at the adjourned meeting the Corporation may transact any business which might have been transacted at the original meeting.

SECTION 2.05 Entry of Notice of Delivery. An affidavit executed by the Secretary, any Assistant Secretary or any transfer agent to the effect that any notice or report required to be given to a shareholder by law or these Bylaws was duly given to such shareholder shall be sufficient evidence that such notice or report was duly given to such shareholder. If any notice or report addressed to a shareholder at the address of such shareholder appearing on the books of the Corporation is returned to the Corporation by the United States Postal Service marked to indicate that the United States Postal Service is unable to deliver the notice or report to the shareholder at such address, all future notices or reports shall be deemed to have been duly given without further mailing if the same shall be available for the shareholder upon written demand of the shareholder at the principal executive office of the Corporation for a period of one (1) year from the date of the giving of the notice or report to all other shareholders.

SECTION 2.06 Voting by Shareholders; Director Nominations; Cumulative Voting for Directors. Except as otherwise provided in the Articles of Incorporation and in this Section, at all meetings of shareholders every shareholder entitled to vote shall have the right to vote in person or by proxy the number of shares standing in his or her name on the stock records of the Corporation. Such vote may be given by viva voce or by ballot; provided, however, that all elections for directors shall be by ballot upon demand made by a shareholder at any election and before the voting begins.

Nominations of persons for election to the Board of Directors may be made at, or in advance of, each meeting of shareholders at which directors are to be elected (i) by or at the direction of the incumbent Board of Directors and (ii) by any shareholder of the Corporation who is entitled to vote at the meeting in the election of directors by submitting the name of such candidate or candidates in writing to the Secretary of the Corporation. Each director nominee must satisfy the qualification requirements that are described in Section 3.02 of these Bylaws, and all solicitations of proxies to be used in connection with the election of directors must satisfy applicable federal and state securities laws and regulations and other applicable laws and regulations.

At each election of directors of the Corporation, if the candidate's name or candidates' names have been placed in nomination prior to the voting, each shareholder entitled to vote shall have the right to cast as many votes as shall equal the number of votes to which his or her shares are normally entitled

multiplied by the number of directors to be elected, and he or she may cast all of such votes for a single candidate or may distribute them among some or all of the candidates as he or she sees fit. The candidates receiving the highest number of affirmative votes up to the number of directors to be elected shall be elected; provided, however, that such candidates must satisfy the qualification requirements for directors that are described in Section 3.02 of these Bylaws.

The affirmative vote of the majority of the shares represented and voting at a duly held meeting at which a quorum is present (which shares voting affirmatively also constitute at least a majority of the required quorum) shall be the act of the shareholders, unless the vote of a greater number is required by law or by the Articles of Incorporation or these Bylaws, and except as set forth in Section 2.07 of this Article and at elections of directors as set forth in this Section.

SECTION 2.07 Quorum. The presence in person or by proxy of the holders of a majority of the shares entitled to vote at any meeting shall constitute a quorum for the transaction of business. The shareholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum, if any action taken, other than adjournment, is approved by at least a majority of the shares required to constitute a quorum.

SECTION 2.08 Consent of Absentees. The proceedings and transactions of any meeting of shareholders, either annual or special, however called and noticed and wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy and if, either before or after the meeting, each of the persons entitled to vote, not present in person or by proxy, signs a written waiver of notice, a consent to the holding of such meeting or an approval of the minutes thereof. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of shareholders need be specified in any written waiver of notice, consent to the holding of the meeting or approval of the minutes thereof unless otherwise provided in the Articles of Incorporation or these Bylaws, except for the matters referred to in subparagraphs (a) through (e) of Section 2.02 of this Article. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Attendance of a person at a meeting shall constitute a waiver of notice of and presence at such meeting, except when the person objects at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened, and except that attendance at a meeting is not a waiver of any right to object to the consideration of matters required by law to be included in the notice but not so included, if such objection is expressly made at the meeting.

SECTION 2.09 Action Without Meeting. Any action which may be taken at any annual or special meeting of the shareholders may be taken without a meeting and without prior notice, if authorized by a written consent setting forth the action so taken, signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted, and filed with the Secretary of the Corporation; provided, however, that directors may not be elected by written consent except by unanimous written consent of all shares entitled to vote for the election of directors, except that a vacancy on the Board of Directors (other than a vacancy created by removal of a director) not filled by the Board of Directors may be filled by the written consent of a majority of the outstanding shares entitled to vote. Any shareholder giving a written consent, such shareholder's proxyholders, a transferee of the shares or a personal representative of such shareholder or their respective proxyholders, may revoke any such consent by a writing received by the Corporation prior to the time that written consents of the number of shares required to authorize the proposed action have been filed with the Secretary of the Corporation, but may not do so thereafter. Such revocation shall be effective upon its receipt by the Secretary of the Corporation.

Unless the consents of all shareholders entitled to vote have been solicited in writing and have been received, prompt notice shall be given, in the same manner as for annual meetings of shareholders except as set forth in this Section, to those shareholders entitled to vote who have not consented in writing, of the

taking of any corporate action approved by shareholders without a meeting. Such notice shall be given at least ten (10) days before the consummation of the action authorized by such approval with respect to the following:

(a) Approval of any transaction referred to in subparagraph (a), (c) or (e) of Section 2.02 of this Article; or

(b) Approval required by law of the indemnification of any person.

SECTION 2.10 Proxies. Every person entitled to vote or execute consents shall have the right to do so either in person or by an agent or agents authorized by a written proxy executed by such person or his or her duly authorized agent; provided, however, that no such proxy shall be valid after the expiration of eleven (11) months from the date of its execution unless otherwise provided in the proxy.

SECTION 2.11 Districts. For purposes of administering the Corporation, the Board of Directors may divide the territory in which the Corporation has shareholders into two (2) or more districts. The number of such districts may correspond to the authorized number of directors of the Corporation. The boundaries and number of the districts shall be determined by the Board of Directors, which shall have authority to revise and redefine the number and boundaries of the districts from time to time. If the Board of Directors establishes such districts, it shall assign each shareholder to a district based upon the district in which the shareholder (if a grower) has the largest acreage or production and on other factors deemed relevant by the Board of Directors.

The Board of Directors may establish policies and procedures for informational meetings of the members of the various districts that shall be held from time to time. However, any such meetings are not intended to function as a substitute for the annual and special meetings of the Corporation's shareholders that are discussed in these Bylaws. Furthermore, voting for directors shall not be conducted on a district basis but shall instead be conducted in the manner described in the preceding sections of this Article II. In each such election, each shareholder shall be entitled to cast votes for the number of directors that are to be elected and shall not be limited to voting only for directors from his or her district.

The determinations of the Board of Directors on all matters relating to the Corporation's districts shall be final, binding and conclusive on all persons.

ARTICLE III -- DIRECTORS

SECTION 3.01 Powers; Committees of Directors, Including Executive Committee and Nominating Committee. Subject to limitations of the Articles of Incorporation, of these Bylaws and of the California General Corporation Law as to action to be authorized or approved by the shareholders or by the outstanding shares, and subject to the duties of directors as prescribed by these Bylaws, the business and affairs of the Corporation shall be managed and all corporate powers shall be exercised by or under the direction of the Board of Directors. Without prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the directors shall have the following powers:

(a) To select and remove all officers, agents and employees of the Corporation, prescribe such powers and duties for them as may not be inconsistent with law, with the Articles of Incorporation or these Bylaws, fix their compensation and require from them security for faithful service;

(b) To conduct, manage and control the affairs and business of the Corporation, and to make such rules and regulations therefor not inconsistent with law, the Articles of Incorporation or these Bylaws, as they may deem best;

(c) To change the principal office for the transaction of the business of the Corporation from one location to another within or without the State of California, as provided in Section 1.01 of Article I; to fix and locate from time to time one or more branch or subsidiary offices of the Corporation within or without the State of California, as provided in Section 1.02 of Article I; to designate any place within or without the State of California for the holding of any shareholders'

meetings; and to adopt, make and use a corporate seal, to prescribe the form of certificates of stock and to alter the form of such seal and of such stock certificates from time to time as in their judgment they may deem best, provided such seal and such certificates shall at all times comply with the provisions of law;

(d) To authorize the issue of stock of the Corporation from time to time, upon such terms as may be lawful, in consideration of money paid, labor done, services actually rendered to the Corporation or for its benefit or in its formation or reorganization, debts or securities cancelled, tangible or intangible property actually received either by the Corporation or by a wholly-owned subsidiary, or as a share dividend, or upon a stock split, reverse stock split, reclassification or conversion of outstanding shares into shares of another class, exchange of outstanding shares for shares of another class, or other change affecting outstanding shares;

(e) To borrow money and incur indebtedness for the purposes of the Corporation and to cause to be executed and delivered therefor, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidences of debt and security therefor; and

(f) To designate one or more committees and to appoint members and alternate members therefor, by resolution adopted by a majority of the authorized number of directors, each committee consisting of two (2) or more directors and any alternate directors as may be designated to replace any absent members at any meeting thereof, to serve at the pleasure of the Board of Directors and to delegate to any such committee any of the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, except the following powers: to approve any action which by law or by these Bylaws also requires shareholders' approval or approval of the outstanding shares, to fill vacancies on the Board of Directors or any committee thereof, to fix the compensation of directors for serving on the Board of Directors or any committee thereof, to amend or repeal bylaws or adopt new bylaws, to amend or repeal any resolution of the Board of Directors which by its express terms is not so amendable or repealable, to authorize a distribution to the shareholders of the Corporation (other than a dividend in shares of the Corporation) except at a rate or in a periodic amount or within a price range determined by the Board of Directors or to appoint other committees of the Board of Directors or the members thereof.

Without limiting the generality of the preceding paragraph:

There shall be an Executive Committee consisting of the Corporation's Chairman of the Board and four (4) other directors who shall be appointed by a majority of the authorized number of directors. The Executive Committee shall have all of the functions and powers of the Board of Directors that are delegated to it by the Board of Directors except as otherwise provided by law and subject to the direction and control of the Board of Directors.

The Board of Directors may also appoint a Nominating Committee, which shall consist of two (2) or more directors, to assist it in the identification and nomination of candidates for election as directors. The Nominating Committee shall have the functions and powers that are delegated to it from time to time by the Board of Directors, although it shall remain subject to the direction and control of the Board of Directors. With the assistance of any such Nominating Committee that is appointed, the Board of Directors shall establish such rules and procedures for its selection of director nominees as it deems appropriate. Among other things, the Board of Directors shall have discretion to nominate a candidate from each district that is described in Section 2.11 of these Bylaws, although it shall not be obligated to follow such nomination procedure.

SECTION 3.02 Number and Qualifications of Directors. The authorized number of directors of the Corporation shall be not less than eight (8) nor more than fifteen (15), and the exact number of directors within such limits shall be ten (10) unless and until such exact number is changed from time to time, within such specified limits, by a resolution which is duly adopted by the Board of Directors or by the shareholders. The minimum and maximum number of directors may be changed, or the Corporation may

implement a board structure that specifies a fixed number of directors without minimum and maximum numbers, by amendment of the Articles of Incorporation or by a bylaw amending this Section of these Bylaws duly adopted by the affirmative vote or written consents of a majority of the outstanding shares entitled to vote; provided, however, that no such amendment reducing the number of directors to a number less than five (5) shall be adopted if the votes cast against its adoption at a meeting, or the shares not consenting thereto in the case of action by written consent, are equal to more than sixteen and two-thirds percent (16 2/3%) of the outstanding shares entitled to vote.

An individual shall be qualified to be elected as a director, and to continue serving as a director, (i) only if he or she (or a corporation, partnership, limited liability company or other entity which he or she controls) is a party to a marketing agreement, consignment agreement or other similar agreement with the Corporation pursuant to which he or she (or such corporation, partnership, limited liability company or other entity) has agreed to deliver California-grown avocados to the Corporation for processing and marketing, and (ii) only if he or she (or such corporation, partnership, limited liability company or other entity) is not in default under such agreement with the Corporation. The preceding qualification for directors shall be inapplicable to any directors who are elected by the holders of shares of the Corporation's preferred stock (if a class or series of preferred stock is issued and outstanding) voting separately as a class or series in the election of directors.

SECTION 3.03 Election and Term of Office. The directors shall be elected at each annual meeting of the shareholders, but if any such annual meeting is not held or the directors are not elected thereat, the directors may be elected at any special meeting of the shareholders held for that purpose. Each director shall hold office until the expiration of the term for which elected and until his or her successor is elected and qualified or until he or she is removed from office. No director may be removed prior to the expiration of his or her term of office, except as permitted by law.

SECTION 3.04 Vacancies. Vacancies in the Board of Directors, other than those created by the removal of a director, may be filled by a majority of the remaining directors, though less than a quorum, or by a sole remaining director, and each director so elected shall hold office until his or her successor is elected at an annual or special meeting of the shareholders.

A vacancy or vacancies in the Board of Directors shall be deemed to exist when any authorized position of director is not filled by a duly elected and acting director, whether caused by the death, resignation or removal of any director, increase in the authorized number of directors, failure of the shareholders, at any annual or special meeting of shareholders at which any director or directors are elected, to elect the full authorized number of directors to be voted for at that meeting or otherwise.

The shareholders may elect a director or directors at any time to fill any vacancy or vacancies created by the removal of a director or not filled by the directors. Any such election by written consent other than to fill a vacancy created by removal (which shall require the unanimous written consent of all shares entitled to vote for the election of directors) shall require the written consent of a majority of the outstanding shares entitled to vote. If the resignation of a director is given to take effect at a future time, the Board of Directors or the shareholders shall have power to elect a successor to take office when the resignation is to become effective.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of his or her term of office.

SECTION 3.05 Place of Meeting. Meetings of the Board of Directors or any committee thereof shall be held at any place within or without the State of California which has been designated in the notice of the meeting or, if not stated in the notice or there is no notice, from time to time by resolution of the Board of Directors or committee, as the case may be. In the absence of such designation, meetings shall be held at the principal executive office of the Corporation.

SECTION 3.06 Organizational Meeting. Immediately following each annual meeting of shareholders, the Board of Directors shall hold a regular meeting for the purpose of organization, election of officers and the transaction of other business. Notice of such meetings is hereby dispensed with.

SECTION 3.07 Other Regular Meetings. Other regular meetings of the Board of Directors and regular meetings of committees of the Board of Directors shall be held without call on such dates as may be fixed by the Board of Directors or the committee, as the case may be. Notice of all such regular meetings of the Board of Directors and committees thereof is hereby dispensed with.

SECTION 3.08 Special Meetings. Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the Chairman of the Board, by the President, by any Vice President, by the Secretary or by any two (2) or more directors. Special meetings of any committee of the Board of Directors for any purpose or purposes may be called at any time by the President, by the Chairman or by any vice-chairman of the committee, by the Secretary or by any two (2) or more members of the committee.

Notice of the time and place of special meetings shall be delivered personally to all directors or committee members as the case may be, either in writing or orally or by telephone, or shall be sent to each such director by first-class mail, facsimile, telegram or other electronic or voice mail message, charges prepaid, addressed to him or her at his or her address as it is shown upon the records of the Corporation or, if it is not shown on such records or is not readily ascertainable, at the place in which the meetings of the directors are regularly held. In case such notice is mailed, it shall be deposited with the United States Postal Service in the place where the principal office of the Corporation is located at least four (4) days prior to the time of the holding of the meeting. In case such notice is delivered by facsimile, telegram or other electronic or voice mail message or personally as above provided, it shall be delivered at least forty-eight (48) hours prior to the time of the holding of the meeting.

Such notice need not specify the purpose of the special meeting. Such mailing, telegraphing or personal delivery as above provided shall be due, timely, legal and personal notice to such director.

SECTION 3.09 Notice of Adjournment. Unless a directors' or committee meeting has been adjourned for more than twenty-four (24) hours, notice of the time and place of holding an adjourned meeting need not be given to absent directors or committee members if the time and place be fixed at the meeting adjourned. If the meeting has been adjourned for more than twenty-four (24) hours, notice of such adjournment and the time and place of the adjourned meeting shall be given prior to the time of the adjourned meeting to all directors or committee members who were not present at the time of the adjournment, in the same manner as provided in Section 3.08 of this Article for special meetings of the Board of Directors or committee thereof.

SECTION 3.10 Entry of Notice. Whenever any director has been absent from any special meeting of the Board of Directors or committee thereof, an affidavit executed by the Secretary or any Assistant Secretary to the effect that notice has been duly given as required by law and these Bylaws shall be sufficient evidence that due notice of such special meeting was given to such director.

SECTION 3.11 Waiver of Notice. The transactions of any meeting of the Board of Directors or committee thereof, however called and noticed and wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present and if, either before or after the meeting, each of the directors or committee members not present, and each director or committee member who is present but did not receive due notice thereof and protests such lack of notice prior to such meeting or at its commencement, signs a written waiver of notice, a consent to holding such meeting or an approval of the minutes thereof. Such waiver of notice need not specify the purpose of the meeting. All such waivers, consents or approvals shall be filed with the Corporate records or made a part of the minutes of the meeting.

SECTION 3.12 Quorum. A majority of the authorized number of directors on the Board of Directors or any committee thereof shall be necessary to constitute a quorum for the transaction of business by such Board or committee, as the case may be. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors or committee members, if any action taken is approved by at least a majority of the required quorum for such meeting. Subject to the foregoing sentence of this Section, every act or decision done or made by a majority of the directors or committee

members present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors or committee thereof, as the case may be, unless a greater number is required by law, the Articles of Incorporation or these Bylaws. Directors shall be deemed present at any meeting of the Board of Directors or any committee thereof and may participate therein if present through use of conference telephone or similar communications equipment, so long as all directors participating in such meeting can hear one another.

SECTION 3.13 Adjournment. A majority of the directors or committee members present, whether or not a quorum is present, may adjourn any directors' or committee meeting to meet again at a stated time, place and hour.

SECTION 3.14 Action Without Meeting. Any action required or permitted to be taken by the Board of Directors or any committee thereof may be taken without a meeting if all members of the Board of Directors or such committee shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board of Directors or such committee, as the case may be. Such action by written consent shall have the same force and effect as a unanimous vote of such directors or committee members.

SECTION 3.15 Fees and Compensation. Directors shall not receive any stated salary for their services as directors but, by resolution of the Board of Directors, a fixed fee, with or without expenses of attending, may be allowed for attendance at each meeting. Nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity as an officer, agent, employee or otherwise and receiving compensation therefor.

ARTICLE IV -- OFFICERS

SECTION 4.01 Officers. The officers of the Corporation shall be the Chairman of the Board, the Chief Executive Officer, the President, the Secretary and the Chief Financial Officer.

The Corporation may also have, at the discretion of the Board of Directors, a Vice Chairman of the Board, one or more Vice Presidents, one or more Assistant Secretaries, one or more Assistant Chief Financial Officers and such other officers as may be appointed in accordance with the provisions of Section 4.03 of this Article. Officers other than the Chairman of the Board need not be directors. One person may hold two or more offices.

SECTION 4.02 Elections. The officers of the Corporation shall be chosen by the Board of Directors and each shall hold his or her office until his or her successor is appointed or until he or she resigns or is removed from office.

SECTION 4.03 Subordinate Officers. The Board of Directors may appoint such other officers as the business of the Corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in these Bylaws or as the Board of Directors may from time to time determine.

SECTION 4.04 Removal and Resignation. Any officer may be removed, either with or without cause, by a majority of the directors at the time in office, at a regular or special meeting of the Board of Directors or, except in case of an officer chosen by the Board of Directors, by any officer upon whom such power of removal may be conferred by the Board of Directors.

Any officer may resign at any time by giving written notice to the Board of Directors, the Chief Executive Officer, the President or the Secretary of the Corporation. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 4.05 Vacancies. A vacancy in any office because of death, resignation, removal or any other cause shall be filled by the Board of Directors at a regular or special meeting.

SECTION 4.06 Chairman of the Board. The Chairman of the Board shall, if present, preside at all meetings of the Board of Directors, and exercise and perform such other powers and duties as may from time to time be assigned to him or her by the Board of Directors or as prescribed by these Bylaws. The Board of Directors may also designate one of its members as Vice Chairman of the Board. The Vice Chairman of the Board shall, during the absence or inability to act as the Chairman of the Board, have the powers and perform the duties of the Chairman of the Board and shall have such other powers and perform such other duties as may from time to time be assigned to him or her by the Board of Directors or as prescribed by these Bylaws.

SECTION 4.07 Chief Executive Officer. The Chief Executive Officer shall be the general manager and chief executive officer of the Corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and affairs of the Corporation. He or she shall preside at all meetings of the shareholders, and in the absence of the Chairman or Vice Chairman of the Board, at all meetings of the Board of Directors. He or she shall have the general powers and duties of management usually vested in the office of chief executive officer of a corporation and shall have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws. Unless and until otherwise determined by the Board of Directors, the Chairman of the Board shall also serve as the Chief Executive Officer.

SECTION 4.08 President. The President shall, after the Chief Executive Officer, have general supervision, direction and control of the business and affairs of the Corporation, subject to the control of the Board of Directors and the Chief Executive Officer. The President shall have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws.

SECTION 4.09 Vice President. In the absence or disability of the President, the Vice Presidents if there shall be any such officers, in order of their rank as fixed by the Board of Directors or, if not ranked, the Vice President designated by the Board of Directors shall perform all the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Vice Presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board of Directors or these Bylaws.

SECTION 4.10 Secretary. The Secretary shall keep, or cause to be kept, a book of minutes in written form at the principal executive office of the Corporation, of all meetings of directors, committees of the Board of Directors and shareholders, with the time and place of holding, whether regular or special, and if special how authorized, the notice thereof given, the names of those directors and shareholders present, the names of those present at directors' or committee meetings, the number of shares present or represented at shareholders' meetings and the proceedings thereof.

The Secretary shall keep, or cause to be kept, at the principal executive office or at the office of the Corporation's transfer agent or registrar of shares, a share register, or a duplicate share register, in written form or in any other form capable of being converted into written form, showing the names of the shareholders and their addresses, and the number and classes of shares held by each of them.

The Secretary shall give or cause to be given notice of all meetings of shareholders and the Board of Directors, as required by these Bylaws or by law to be given, and he or she shall keep the seal of the Corporation in safe custody and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

SECTION 4.11 Chief Financial Officer. The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, in written form or in any other form capable of being converted into written form, adequate and correct books and records of account of the properties and business transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, surplus and shares.

The Chief Financial Officer shall deposit all monies and other valuables in the name and to the credit of the Corporation with such depositories as may be designated by the Board of Directors. He or she shall disburse the funds of the Corporation as may be ordered by the Board of Directors and shall render to the

President and directors, as required by Section 5.05 of Article V of these Bylaws and at such other times as they may request, an account of all of his or her transactions as Chief Financial Officer and of the financial condition of the Corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

ARTICLE V -- MISCELLANEOUS

SECTION 5.01 Record Date. The Board of Directors may fix a time in the future as a record date for the determination of the shareholders entitled to notice of and to vote at any meeting of shareholders, or to receive any dividend, distribution or allotment of rights, or to exercise rights in respect of any other lawful action. The record date so fixed shall not be more than sixty (60) nor less than ten (10) days prior to the date of the meeting, nor more than sixty (60) days prior to any other action, for which it is fixed. When a record date is so fixed, only shareholders of record at the close of business on the record date shall be entitled to notice of and to vote at such meeting, or to receive such dividend, distribution or allotment of rights, or to exercise such rights, as the case may be, notwithstanding any transfer of any shares on the books of the Corporation after the record date, except as otherwise provided in the Articles of Incorporation or by agreement or by law. A determination of shareholders of record entitled to notice of or to vote at a meeting of shareholders shall apply to any adjournment of the meeting unless the Board of Directors fixes a new record date for the adjourned meeting, but the Board of Directors shall fix a new record date if the meeting is adjourned for more than forty-five (45) days from the date set for the original meeting.

SECTION 5.02 Inspection of Corporate Records. The record of shareholders, the accounting books and records, and minutes of proceedings of the shareholders, the Board of Directors and committees of the Board of Directors, shall be open to inspection in written form upon the written demand of any shareholder or holder of a voting trust certificate, at any reasonable time during usual business hours, for a purpose reasonably related to his or her interests as a shareholder or holder of a voting trust certificate. Such inspection may be made in person or by an agent or attorney and shall include the right to copy and make extracts. Demand of inspection shall be made in writing upon the President, Secretary or Assistant Secretary of the Corporation.

A shareholder or shareholders holding at least five percent (5%) in the aggregate of the outstanding voting shares of the Corporation shall have an absolute right to do either or both of the following: (i) inspect and copy the record of shareholders' names and addresses and shareholdings during usual business hours upon five (5) business days' prior written demand upon the Corporation, or (ii) obtain from the transfer agent for the Corporation, if any, upon written demand and upon the tender of its usual charges for such a list, a list of the names and addresses of the shareholders who are entitled to vote for the election of directors, and their shareholdings, as of the most recent record date for which it has been compiled or as of a date specified by the shareholder subsequent to the date of demand, which list shall be made available on or before the later of five (5) business days after the demand is received or the date specified therein as the date as of which the list is to be compiled.

Every director shall have the absolute right at any reasonable time to inspect in written form and copy all books, records and documents of every kind and to inspect the physical properties of the Corporation and its subsidiary corporations, domestic or foreign. Such inspection may be made in person or by agent or attorney, and the right of inspection includes the right to copy and make extracts.

SECTION 5.03 Checks, Drafts and Notes. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness issued in the name of or payable to the Corporation shall be signed or endorsed by such person or persons and in such manner as, from time to time, shall be determined by resolution of the Board of Directors.

SECTION 5.04 Seal. The Corporation shall have a common seal, and shall have inscribed thereon the name of the Corporation, the date of its incorporation and the word California.

SECTION 5.05 Financial Reports. The Chief Financial Officer shall prepare and submit, or cause to be prepared and submitted, to the Board of Directors, not later than one hundred twenty (120) days after the close of each fiscal year of the Corporation, an annual report containing a balance sheet as of the end of that fiscal year and an income statement and statement of changes in financial position for that fiscal year, accompanied by the report thereon, if any, of any independent accountants engaged by the Corporation or the certificate of an authorized officer of the Corporation that the financial statements were prepared without audit from the books and records of the Corporation. The requirement of Section 1501 of the California Corporations Code that the Board of Directors shall cause the annual report to be sent to the shareholders not later than one hundred twenty (120) days after the close of the Corporation's fiscal year and at least fifteen (15) days prior to the annual meeting of shareholders is hereby expressly waived until such time as the Corporation has one hundred (100) or more holders of record of its shares.

A shareholder or shareholders holding at least five percent (5%) of the outstanding shares of any class of the Corporation may make a written request to the Corporation for an income statement of the Corporation for the three-month, six-month or nine-month period of the current fiscal year ended more than thirty (30) days prior to the date of the request and a balance sheet of the Corporation as of the end of such period and, in addition, if no annual report for the last fiscal year has been sent to shareholders, such annual report, accompanied by the report thereon, if any, of any independent accountants engaged by the Corporation or the certificate of an authorized officer of the Corporation that such financial statements were prepared without audit from the books and records of the Corporation. The annual report or statements so requested shall be delivered or mailed to the person making the request within thirty (30) days thereafter.

A copy of each such annual, semi-annual, and quarterly financial statement shall be kept on file for a period of twelve (12) months after delivery to the Board of Directors, and shall be exhibited at all reasonable times to any shareholder demanding an examination thereof or a copy shall be mailed to the shareholder.

SECTION 5.06 Execution of Documents. The Board of Directors, except as these Bylaws or the Articles of Incorporation otherwise provide, may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances; and unless so authorized by the Board of Directors, no officer, agent, or employee shall have any power or authority to bind the Corporation by any contract or agreement or to pledge its credit to render it liable for any purpose or to any amount.

SECTION 5.07 Certificates of Stock. A certificate or certificates for shares of the capital stock of the Corporation shall be issued to each shareholder when any such shares are fully paid. All such certificates shall be signed by the Chairman of the Board or the President or a Vice President, and by the Chief Financial Officer or an Assistant Chief Financial Officer, Secretary or an Assistant Secretary, or shall be authenticated by facsimiles of such signatures.

Certificates for shares may be issued prior to full payment thereof, under such restrictions and for such purposes as the Board of Directors or these Bylaws may provide; provided, however, that any such certificates so issued prior to full payment shall state the total amount of the consideration to be paid therefor and the amount paid thereon, and such statement shall be conspicuous.

There shall also appear on each certificate, to the extent applicable, statements: that the shares represented thereby are subject to restrictions upon transfer, to an irrevocable proxy under Section 705(e) of the California Corporations Code, or to restrictions upon voting rights contractually imposed by the Corporation; that such shares are redeemable or assessable or subject to conversion and the period for conversion, and any such statement that such shares are subject to restrictions upon transfer or are assessable shall be conspicuous. If the shares of the Corporation are classified or if any class of shares has two or more series, there shall also appear on each certificate the office or agency of the Corporation from which shareholders may obtain, upon request and without charge, a statement of the rights, preferences, privileges and restrictions granted to or imposed upon each class or series of shares authorized to be issued and upon the holders thereof.

Notwithstanding the foregoing provisions of this Section 5.07, the Board of Directors is entitled to elect to cause the Corporation to adopt a system of issuance, recordation and transfer of its shares by electronic or other means not involving any issuance of certificates, subject, however, to compliance with Section 416 of the California Corporations Code and other applicable law regarding such system.

SECTION 5.08 Representation of Shares of Other Corporations. Subject to the instructions and control of the Board of Directors, the Chief Executive Officer, the President or any Vice President and the Secretary or Assistant Secretary of the Corporation, acting jointly, are authorized to vote, represent and exercise on behalf of the Corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of the Corporation. The authority herein granted to said officers to vote or represent on behalf of the Corporation any and all shares held by the Corporation in any other corporation or corporations may be exercised either by such officers in person or by any person authorized so to do by proxy or power of attorney duly executed by said officers.

SECTION 5.09 Inspection of Bylaws. The Corporation shall keep in its principal executive office in the State of California, or if there be no such office at its principal business office in such State, the original or a copy of these Bylaws as amended to date, which shall be open to inspection by the shareholders at all reasonable times during office hours. If the principal executive office is outside such State and the Corporation has no principal business office in such State, the Corporation shall upon the written request of any shareholder, made in writing upon the President, Secretary or Assistant Secretary of the Corporation, furnish to such shareholder a copy of these Bylaws as amended to date.

ARTICLE VI -- RESTRICTIONS ON TRANSFER OF SHARES

SECTION 6.01 Corporation's Right of First Refusal. Before any shares of the Corporation's stock that are owned by any shareholder of the Corporation may be sold, assigned, pledged or otherwise transferred (whether voluntarily, involuntarily, by operation of law, pursuant to a marital dissolution decree or by gift or for consideration and including a transfer of any interest in any such shares), the shares shall first be offered to the Corporation, which shall have the right to purchase all (but not fewer than all) of the shares that are proposed to be transferred on the terms and conditions proposed by the potential purchaser and in accordance with the terms and conditions of this Article VI (the "RIGHT OF FIRST REFUSAL").

SECTION 6.02 Notice to the Corporation of the Proposed Transfer. Each time that any shareholder of the Corporation (the "TRANSFERRING SHAREHOLDER") proposes to sell, assign, pledge or otherwise transfer any shares of the Corporation's stock in a transaction that is not a permitted transfer under Section 6.07 of this Article, the Transferring Shareholder shall give the Corporation at least thirty (30) days' prior written notice of the proposed transfer (the "TRANSFER NOTICE"). Unless the Corporation agrees in writing to another method of delivery, the Transfer Notice shall be delivered by registered or certified mail, postage prepaid and return receipt requested, or delivered personally to the Corporation's Secretary at the Corporation's principal executive office specified in Section 1.01 of these Bylaws or to such other principal executive office for the Corporation that the Board of Directors may adopt and announce from time to time.

The Transfer Notice shall set forth in reasonable detail the terms and conditions of the proposed transfer, including, without limitation, (i) the identity of the proposed transferee (who must in any case be a bona fide transferee with respect to whom the transfer is permissible under applicable federal and state securities laws), (ii) the number of shares proposed to be transferred, (iii) the purchase price per share, (iv) the terms of payment, (v) the date of the proposed transfer, and (vi) a statement by the Transferring Shareholder that he or she has entered into a legally binding agreement (subject to compliance with these Bylaws) with the proposed transferee with respect to the transfer of the shares on the terms described in the Transfer Notice. The Transferring Shareholder shall be liable to the Corporation if the Transfer Notice contains any intentional or grossly negligent misstatements or omissions.

For purposes of this Article VI, a "transfer" of shares shall be deemed to include a proposed transfer or issuance of more than fifty percent (50%) of the outstanding stock or other equity ownership interests of any shareholder of the Corporation that is a corporation, a partnership, a limited liability company or another form of entity, and the Right of First Refusal shall apply to any such proposed transaction. In that event, the Transferring Shareholder shall be deemed to have offered to sell a number of shares of the Corporation's stock equal to the number of shares owned by the Transferring Shareholder multiplied by the percentage of the Transferring Shareholder's stock or other equity ownership interests that are the subject of the proposed transaction.

SECTION 6.03 Purchase of Shares by the Corporation. The Corporation shall have the right, but not the obligation, to elect to purchase from the Transferring Shareholder all, but not less than all, of the shares of stock that the Transferring Shareholder proposes to transfer and that are described in the Transfer Notice. Within thirty (30) days after its receipt of the Transfer Notice, the Corporation shall notify the Transferring Shareholder in writing as to whether the Corporation has elected to purchase all of the shares that are described in the Transfer Notice. Failure by the Corporation to give a timely notice shall be deemed an election not to purchase all of such shares. Delivery by the Corporation of a timely purchase election shall constitute a binding purchase agreement between the Transferring Shareholder and the Corporation. The Corporation shall not be entitled to elect to purchase fewer than all of the shares that are the subject of the proposed transfer. Notices by the Corporation to the Transferring Shareholder shall be delivered in the manner specified in Section 2.02 of these Bylaws.

SECTION 6.04 Purchase Terms. Except as provided in this Section 6.04 or in Section 6.05 of this Article, the Transferring Shareholder's shares that are the subject of the proposed transfer shall be purchased by the Corporation for the same purchase price and other payment terms that are described in the Transfer Notice. If the Transfer Notice provides for the use of promissory notes or other non-cash consideration, the Corporation at its option may specify that the purchase price will be paid by it in cash in an amount equal to the Board of Directors' good faith estimate of the present fair market value of such non-cash consideration. If the Transfer Notice does not describe any purchase price for the shares that the Transferring Shareholder proposes to transfer because the transfer is a gift, an involuntary transfer or any other form of transfer that does not involve a purchase price for the shares that are the subject of the proposed transfer, the Corporation shall pay a cash purchase price equal to the Board of Directors' good faith estimate of the present fair market value or book value of such shares, whichever is greater.

SECTION 6.05 Closing of the Purchase. The Corporation shall select the date of the closing of the purchase and sale of the Transferring Shareholder's shares of stock that are to be purchased as a result of the exercise of the Right of First Refusal described in this Article by providing at least ten (10) days' written notice thereof to the Transferring Shareholder, provided, however, that the Corporation shall select a closing date that is no later than the fortieth (40th) day after its receipt of the Transfer Notice from the Transferring Shareholder unless the Corporation and the Transferring Shareholder agree to extend the closing date.

The Corporation shall deliver to the Transferring Shareholder a check in the amount of the purchase price of the shares purchased by the Corporation. However, if the transferee identified in the Transfer Notice from the Transferring Shareholder proposes to deliver promissory notes or another form of non-cash consideration and if the Corporation does not elect pursuant to Section 6.04 of this Article above to pay cash equal to the present fair market value of such non-cash consideration, then the Corporation shall deliver such non-cash consideration to the Transferring Shareholder. The Transferring Shareholder shall execute and deliver any stock assignments and other instruments that may be reasonably requested by the Corporation in order to complete the purchase and sale of the Transferring Shareholder's shares of stock.

SECTION 6.06 Transfer of Shares to the Proposed Transferee. If the Corporation does not make a timely election to purchase all of the shares that are the subject of the proposed transfer, or if the Corporation defaults on its election to purchase such shares, the Transferring Shareholder shall have the right to transfer such shares to the proposed transferee who is identified in the Transfer Notice, provided that such transaction must be completed within sixty (60) days after the Transferring Shareholder's

delivery of the Transfer Notice to the Corporation. The shares must be transferred on the terms described in the Transfer Notice, and the transferee of such shares shall be bound by all of these Bylaws (including, without limitation, this Article VI) with respect to the transferred shares. However, the transfer shall not be made and shall be of no force or effect unless and until (i) the Corporation has determined that the transfer will be made in compliance with any and all applicable federal and state securities laws and regulations and other applicable laws and regulations, including, without limitation, the regulations of any national securities exchanges, the National Association of Securities Dealers, Inc. and any other regulatory bodies having jurisdiction over the shares and (ii) the Transferring Shareholder and the proposed transferee, at their expense, have delivered to the Corporation any and all investment representation certificates and other certificates, legal opinions and instruments of conveyance, in form and substance satisfactory to the Corporation, that may be requested by the Corporation for the purpose of demonstrating that the transfer can be lawfully made without registration or qualification under applicable federal and state securities laws and regulations and in order to effect the transfer of the shares to the transferee. Furthermore, notwithstanding anything to the contrary in these Bylaws: (a) no individual, person, corporation, partnership, other entity or group within the meaning of Section 13(d) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder may acquire or hold (directly or indirectly) record or beneficial ownership of more than twenty percent (20%) of the total outstanding shares of the Corporation's stock, as the term "beneficial ownership" is used in Rule 13d-3 under the Securities Exchange Act of 1934, as amended; (b) no shares may be transferred to any individual, person, corporation, partnership or other entity or group that is described in clause (a) of this sentence; and (c) without the prior written consent of the Board of Directors, no shares may be transferred to any individual, person, corporation, partnership, other entity or group that engages in a business that is in competition with the Corporation's business.

SECTION 6.07 Transfers Not Subject to the Right of First Refusal. The Right of First Refusal shall not apply to a transfer of shares of stock (i) to a member or members of the Transferring Shareholder's immediate family or (ii) to an inter vivos trust established for the sole and exclusive benefit of the Transferring Shareholder and/or a member or members of the Transferring Shareholder's immediate family. The transferee(s) of such shares shall be bound by all of these Bylaws (including, without limitation, this Article VI) with respect to the transferred shares. Furthermore, within ten (10) days after the effective date of such transfer, the Transferring Shareholder (or his or her legal representative) shall advise the Secretary of the Corporation in writing of the details of such transfer and shall provide written documentation to the Corporation demonstrating that such transfer satisfies the terms and conditions of this Section 6.07. For purposes of this Section 6.07, the term "immediate family" means a shareholder's spouse, children, grandchildren, parents, brothers and sisters.

SECTION 6.08 Transfers of Shares in Violation of the Bylaws. Any sale or other transfer of shares of the Corporation's stock (including any agreement to sell or transfer shares) that is made in violation of the terms and conditions of this Article VI shall be null and void for all purposes, and the Corporation shall not be required to transfer on its books any shares that are the subject of any such sale or transfer.

SECTION 6.09 Legends on Certificates. All certificates that represent shares of the Corporation's stock shall have endorsed thereon the following legends:

(a) "THE SHARES THAT ARE REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND RIGHTS OF FIRST REFUSAL AS SET FORTH IN THE BYLAWS OF THE CORPORATION. A COPY OF THE BYLAWS IS ON FILE AT THE PRINCIPAL BUSINESS OFFICE OF THE CORPORATION."

(b) "THE SHARES THAT ARE REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, OFFERED FOR SALE, ASSIGNED, HYPOTHECATED OR OTHERWISE TRANSFERRED UNLESS SUCH TRANSFER IS REGISTERED OR QUALIFIED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND APPLICABLE STATE SECURITIES LAWS COVERING SUCH SHARES OR UNLESS THE CORPORATION RECEIVES AN

OPINION OF COUNSEL OR OTHER EVIDENCE SATISFACTORY TO THE CORPORATION TO THE EFFECT THAT SUCH REGISTRATION AND QUALIFICATION ARE NOT REQUIRED."

(c) Any other legends required to be placed thereon by federal or state securities laws or authorities.

SECTION 6.10 Termination of the Right of First Refusal. The Right of First Refusal described in this Article VI shall terminate if and when the Board of Directors or the Corporation's shareholders adopt an amendment to the Bylaws which deletes this Article VI from the Bylaws or which otherwise terminates the Right of First Refusal.

ARTICLE VII -- INDEMNIFICATION

SECTION 7.01 Indemnification of Directors. The Corporation shall, to the maximum extent permitted by applicable law but subject to the terms and conditions of any indemnification agreement that may be entered into between the director and the Corporation, indemnify each of its directors against expenses (as defined in Section 317(a) of the California Corporations Code), judgments, fines, settlements and other amounts actually and reasonably incurred by such director in connection with any proceeding (as defined in Section 317(a) of the California Corporations Code) arising by reason of the fact that such director (i) is or was a director of the Corporation, (ii) was a director of the Corporation's predecessor, Calavo Growers of California, a California nonprofit cooperative association, or (iii) is or was serving at the request of the Corporation as a director of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise. For purposes of this Article VII, a "director" includes any person who is or was a director of the Corporation.

SECTION 7.02 Indemnification of Officers, Employees and Other Agents. In addition to the indemnification that is required to be provided to directors of the Corporation under Section 7.01 of this Article, the Corporation shall have the power, to the extent and in the manner permitted by applicable law, to indemnify each of its officers, employees and other agents against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding arising by reason of the fact that such person is or was an officer, employee or other agent of the Corporation. For purposes of this Article VII, an "employee," "officer" or "agent" of the Corporation includes any person (i) who is or was an officer, employee or other agent of the Corporation, (ii) who is or was serving at the request of the Corporation as a director, officer, employee or other agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise, or (iii) who was an officer, employee or other agent of Calavo Growers of California or of another enterprise at the request of Calavo Growers of California.

SECTION 7.03 Advance of Expenses. Attorneys' fees and other expenses incurred in defending any proceeding may be advanced by the Corporation prior to the final disposition of such proceeding upon receipt of an undertaking by or on behalf of the indemnified party to repay such amounts if it shall ultimately be determined that the indemnified party is not entitled to be indemnified as authorized or provided by this Article VII.

SECTION 7.04 Indemnification Not Exclusive. The indemnification authorized or provided by this Article VII shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any Bylaw, agreement, vote of shareholders or directors or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office. The rights to indemnification hereunder shall continue as to a person who has ceased to be a director, officer, employee or other agent and shall inure to the benefit of the heirs, executors and administrators of such person.

SECTION 7.05 Insurance. The Corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or other agent of the Corporation against any liability asserted against or incurred by such person in such capacity or arising out of that

person's status as such, whether or not the Corporation would have the power to indemnify that person against such liability under the provisions of this Article VII.

SECTION 7.06 Conflicts. No indemnification or advance shall be made under this Article VII, except where such indemnification or advance is mandated by law or the order, judgment or decree of any court of competent jurisdiction, in any circumstance where it appears:

(a) That it would be inconsistent with a provision of the Corporation's Articles of Incorporation, these Bylaws, a resolution of the shareholders or an agreement in effect at the time of the accrual of the alleged cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid which prohibits or otherwise limits indemnification; or

(b) That it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

SECTION 7.07 Indemnification Agreements. Notwithstanding anything to the contrary in this Article VII, the Corporation is authorized to enter into a contract with any director, officer, employee or other agent of the Corporation (or with any person who is or was serving at the request of the Corporation as a director, officer, employee or other agent of another corporation, partnership, joint venture, trust or other enterprise, including employee benefit plans, or any person who was a director, officer, employee or agent of a corporation which was a predecessor corporation of the Corporation or of another enterprise at the request of such predecessor corporation) which provides for indemnification rights equivalent to or, if the Board of Directors so determines and to the extent permitted by applicable law, greater than those provided for in this Article VII.

SECTION 7.08 Amendment, Repeal or Modification. No amendment, repeal or modification of any provision of this Article VII shall adversely affect any right or protection of any director, officer, employee or other agent of the Corporation which exists at the time of such amendment, repeal or modification.

ARTICLE VIII -- AMENDMENTS

SECTION 8.01 Power of Shareholders. New Bylaws may be adopted or these Bylaws may be amended or repealed by the affirmative vote or written consent of a majority of the outstanding shares entitled to vote, except as may be specifically set forth in the Articles of Incorporation or these Bylaws to the contrary.

SECTION 8.02 Power of Directors. Subject to the right of the shareholders as provided in Section 8.01 of this Article to adopt, amend or repeal these Bylaws, Bylaws other than a Bylaw or amendment thereof changing the authorized number of directors may be adopted, amended or repealed by the affirmative vote of at least seventy-five percent (75%) of the authorized number of directors. The adoption of a resolution by the Board of Directors that fixes the exact number of directors within the authorized range of directors specified in Section 3.02 of these Bylaws shall not be considered an amendment of these Bylaws.

APPENDIX D

CALAVO GROWERS, INC.

MARKETING AGREEMENT

GROWER'S NAME
GROWER'S ADDRESS
GROWER'S TAXPAYER I.D. NUMBER
GROWER'S ELECTION: ____ MONTHLY OR ____ WEEKLY POOL
EFFECTIVE DATE OF AGREEMENT
GROVE LOCATION
NUMBER OF TREES ____________

This Marketing Agreement (the "Agreement") is entered into by and between the above-named grower (the "Grower") and Calavo Growers, Inc. ("Calavo"), a California corporation whose address is 2530 Red Hill Avenue, Santa Ana, California 92705-5542. The effective date of this Agreement is specified above. However, if this Agreement is being executed by the parties prior to the merger of Calavo Growers of California, a California nonprofit cooperative association, into Calavo, the effective date of this Agreement will be the date on which the merger occurs. Calavo will advise the Grower of the date of the merger, and neither party will have any obligations under this Agreement until the merger occurs.

The Grower represents that it is the producer of California avocados. Calavo desires to pack and market these avocados. The following terms are hereby agreed upon by both parties:

1. Delivery

The Grower will deliver to Calavo all of the avocados grown by the Grower on the grove listed above and on all other land now or hereafter owned by the Grower or in the Grower's possession as tenant, except avocados that are retained for the Grower's personal use or consumption and except avocados of such varieties that Calavo notifies the Grower are not economical to handle because of the character, quantity or marketability of the fruit. Except as described in the preceding sentence, Calavo will market, when and where feasible, all of the avocados grown by the Grower.

Delivery of the avocados will be made at the Grower's expense and risk of loss and at the time and place and in the manner reasonably specified by the Grower, including, without limitation, through the Grower's right to require Calavo to obtain possession of the avocados at the Grower's grove. Title to the avocados will pass to Calavo only on the date that it obtains actual possession of the avocados.

Calavo has the right to inspect the Grower's groves for crop estimating and harvesting purposes during reasonable hours. The Grower will assist Calavo in preparing an annual crop forecast. Calavo has full control of grading, sizing and weight standards. The Grower will comply with all applicable laws and regulations regarding the production, harvesting and delivery of the avocados.

2. Term

The term of this Agreement will be for one year from the effective date and will automatically renew on a year-to-year basis unless either party gives written notice of termination of this Agreement at least thirty days prior to the applicable anniversary of the effective date. Calavo may also terminate this Agreement upon written notice to the Grower if the Grower is in breach of this Agreement and fails to correct the breach within ten days after receipt of written notice of the breach from Calavo. If the Grower engages in a bona fide sale or lease to a third party of the grove(s) that is subject to this Agreement, this Agreement will terminate as to such grove(s) on the effective date of the sale or lease if (i) the Grower provides Calavo with satisfactory written evidence of the bona fide nature of the sale or lease and (ii) all of the Grower's obligations hereunder have been satisfied prior to the sale or lease (including the obligation to deliver all avocados harvested prior to the sale or lease). Subject to the preceding sentence,

this Agreement is binding upon the successors and assigns of the Grower and Calavo, although neither party has the right to assign its obligations to another person or entity. No termination of this Agreement will release either party from liability for breaches of this Agreement, and the provisions described below in Sections 4 and 7 to 9 will survive the termination of this Agreement.

3. Marketing

Calavo will receive, pack, market and sell the avocados delivered by the Grower, at such prices and terms, in such form, and at such times as in its judgment and discretion it deems best, and will pay the Grower as payment in full the net proceeds received from the marketing of the avocados less a packing and marketing fee established by its Board of Directors. The packing and marketing fee will include, but is not limited to, the costs of receiving, processing, manufacturing, handling, transporting, advertising, promoting, and other costs of marketing and administrative costs, and will also include a profit to Calavo. The avocados may be pooled in one or more pools established by the Board of Directors and will not be identified to the Grower once they are graded. Packing and marketing of the avocados will be under the exclusive control of Calavo.

4. Liens

Calavo is hereby given a first lien upon all sales proceeds as security for any and all amounts of any nature owed by the Grower to Calavo, and Calavo may offset amounts due Calavo against amounts owed to the Grower under this Agreement. Such rights of Calavo will not be barred by the running of any statute of limitations, and such rights may be subordinated by appropriate written instructions when authorized by the Board of Directors in its sole discretion. The Grower will execute and deliver any documents requested by Calavo to implement or perfect its rights under this Agreement.

5. Labor

Calavo will have no control whatsoever over the labor relations policies or conduct or direction of labor relations of the Grower, nor will the Grower have any control over Calavo's labor policies.

6. Consignment

The Grower acknowledges that Calavo may reconsign the avocados to another party.

7. Notices; Entire Agreement; Severability

All notices to either the Grower or Calavo will be delivered in writing, either personally, by facsimile transmission or by registered, certified or express mail, return receipt requested, postage prepaid, to the address for such party specified above or to such other address as the party may from time to time advise the other party, and will be deemed given and received as of actual personal delivery, on the first business day after the date of delivery shown on any such facsimile transmission or upon the third business day after deposit in the U.S. Mail if registered, certified or express mail is used, as the case may be.

This Agreement constitutes the entire agreement of the Grower and Calavo regarding the subject matter hereof and supersedes all prior agreements and understandings pertaining to such subject matter. This Agreement may be amended only by a writing signed by the Grower and Calavo.

If any provision of this Agreement is determined by a duly appointed arbitrator or a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions of this Agreement shall continue in full force and effect.

8. Remedies for Grower's Breach

The Grower's failure to deliver avocados as required by this Agreement will result in injury to Calavo, and it would be extremely difficult and impracticable to fix the amount of damages that Calavo will incur. Therefore, the Grower agrees to pay to Calavo, upon Calavo's demand, the following amounts as liquidated

damages for all avocados that are withheld, delivered, sold, consigned or otherwise marketed by or for the Grower other than in accordance with the terms of this Agreement:

(a) $1,000; plus

(b) An amount equal to Calavo's packing and marketing fee per pound of avocados that is in effect as of the date of the Grower's breach of this Agreement, multiplied by the pounds of avocados that were withheld, delivered, sold, consigned or otherwise marketed by or for the Grower other than in accordance with the terms of this Agreement.

The foregoing right to recover liquidated damages is in addition to all other remedies available to Calavo under applicable law including, without limitation, the right to obtain injunctive relief, and all such remedies are cumulative and not exclusive.

9. Governing Law; Enforcement of Agreement

This Agreement is governed by the internal laws of the State of California. All disputes concerning this Agreement will be settled by arbitration, before one arbitrator, in accordance with the commercial arbitration rules of the American Arbitration Association then in effect. The arbitrator will be selected in accordance with such commercial arbitration rules. A party is entitled to initiate an arbitration proceeding if a dispute cannot be resolved amicably within ten days after the other party has been notified of the existence of the dispute. The arbitrator is authorized to grant injunctive relief and/or specific performance in addition to monetary relief. The arbitrator hereby is instructed to interpret and enforce this Agreement in accordance with its terms. All arbitration proceedings will be held in Los Angeles, California. Notwithstanding the foregoing, each party is entitled to bring an action for temporary or preliminary injunctive relief at any time in any court of competent jurisdiction in order to prevent immeasurable and irreparable injury that might result from a breach of this Agreement that occurs prior to the conclusion of an arbitration proceeding.

The award of the arbitrator in any arbitration proceeding will be final and may be enforced in any court of competent jurisdiction, and an action to compel arbitration may be brought in any court of competent jurisdiction. The unsuccessful party to any arbitration proceeding or to any court action that is permitted by this Agreement will pay to the successful party all costs and expenses, including, without limitation, reasonable attorneys' fees and the fees of the arbitrator, incurred therein by the successful party. EACH PARTY AGREES THAT ALL RIGHTS TO A TRIAL BY A JURY OF ANY CLAIM CONCERNING THIS AGREEMENT ARE ABSOLUTELY AND FOREVER WAIVED.

DATED: ________________________________ CALAVO GROWERS, INC.

By:

Title:

[Name of Grower]

By:

Title:

APPENDIX E

CALAVO GROWERS OF CALIFORNIA

BYLAWS AMENDMENT
RESOLUTION OF THE BOARD OF DIRECTORS

RESOLVED, that the Bylaws of Calavo Growers of California hereby are amended by adding the following paragraph to Section 7.08 of the Bylaws:

(c) Notwithstanding anything to the contrary in these Bylaws, (i) the Association's Marketing Agreement with each member automatically shall terminate on the effective date of the Association's merger with Calavo Growers, Inc., a California corporation, and (ii) the membership of each member in the Association automatically shall terminate on the effective date of the merger. The effective date of the merger shall be the date that an agreement of merger between the Association and Calavo Growers, Inc. is filed with the Secretary of State of the State of California.

PART II

INFORMATION NOT REQUIRED IN THE PROSPECTUS

ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Sections 204 and 317 of the California General Corporation Law authorize the registrant, Calavo Growers, Inc., to indemnify, subject to the terms and conditions set forth therein, its directors, officers, employees and other agents against expenses, judgments, fines, settlements and other amounts that they may incur in connection with pending, threatened or completed legal actions or proceedings that are based upon their service as directors, officers, employees or other agents of the registrant or that are based upon their service as directors, officers, employees or other agents of certain other specified entities, including the registrant's predecessor corporation, Calavo Growers of California. The California General Corporation Law also provides that the registrant is entitled to purchase indemnification insurance on behalf of any such director, officer, employee or agent.

Article VII of the registrant's Bylaws requires the indemnification by the registrant of each of its directors to the maximum extent permitted by law. Article VII of the registrant's Bylaws authorizes, but does not require, the registrant to indemnify its officers, employees and other agents against the expenses, judgments, fines, settlements and other amounts that are described in the preceding paragraph.

ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) EXHIBITS

A list of exhibits that are included as part of this registration statement is set forth in the Index to Exhibits that immediately precedes such exhibits.

(b) FINANCIAL STATEMENT SCHEDULES

The following financial statement schedule is filed with Part II of this registration statement:

Schedule II -- Valuation and Qualifying Accounts

All other schedules have been omitted from this registration statement because they are not applicable or because the information required by any applicable schedule is included in the consolidated financial statements or the notes thereto.

(c) REPORT, OPINION OR APPRAISAL

Not applicable.

ITEM 22. UNDERTAKINGS

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of this registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned registrant hereby undertakes that, prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this registration statement by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form.

(c) The undersigned registrant undertakes that every prospectus (i) that is filed pursuant to paragraph (b) immediately preceding, or (ii) that purports to meet the requirements of Section 10(a)(3) of the Securities Act of 1933 and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the registration statement and will not be used until such amendment is effective, and that, for purposes of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(d) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(e) The undersigned registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Item 4, 10(b), 11 or 13 of this Form S-4 within one business day of receipt of such request and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

(f) The undersigned registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Santa Ana, State of California, on April 23, 2001.

CALAVO GROWERS, INC.

By: /s/ LECIL E. COLE

Lecil E. Cole
Chairman of the Board of Directors,
Chief Executive Officer and
President

POWER OF ATTORNEY

Each person whose signature appears below hereby constitutes and appoints Lecil E. Cole and Egidio Carbone, Jr., and each of them, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or either of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities indicated on April 23, 2001.

SIGNATURE	TITLE
/s/ LECIL E. COLE Lecil E. Cole	Chairman of the Board of Directors, Chief Executive Officer and President (Principal Executive Officer)
/s/ EGIDIO CARBONE, JR. Egidio Carbone, Jr.	Vice President, Finance and Corporate Secretary (Principal Financial and Accounting Officer)
/s/ GEORGE H. BARNES George H. Barnes	Director
/s/ FRED J. FERRAZZANO Fred J. Ferrazzano	Director
/s/ JOHN M. HUNT John M. Hunt	Director
/s/ ROY V. KEENAN Roy V. Keenan	Director
/s/ J. LINK LEAVENS J. Link Leavens	Director

SIGNATURE	TITLE
/s/ EDWARD P. SMITH Edward P. Smith	Director
/s/ ALVA V. SNIDER Alva V. Snider	Director
/s/ DORCAS H. THILLE Dorcas H. Thille	Director
/s/ SCOTT VAN DER KAR Scott Van Der Kar	Director

SCHEDULE II

CALAVO GROWERS OF CALIFORNIA

VALUATION AND QUALIFYING ACCOUNTS

	FISCAL YEAR	BALANCE 11/1 BEGINNING	ADDITIONS(1)	DEDUCTIONS(2)	BALANCE 10/31 END
Bad Debt Allowances..............	1997/98	$26,000	$ 15,000	$ 38,000	$ 3,000
	1998/99	3,000	50,000	51,000	2,000
	1999/00	3,000	715,000	669,000	49,000
Reserve for Inventory Obsolescence...................	1997/98	$17,000	$ 29,000	$ 17,000	$29,000
	1998/99	29,000	--	--	29,000
	1999/00	29,000	--	--	29,000

- -------------------------

(1) Charged to costs and expenses

(2) Writeoff of assets

INDEPENDENT AUDITORS' REPORT ON SCHEDULE

To the Board of Directors of
Calavo Growers of California

We have audited the accompanying consolidated balance sheets of Calavo Growers of California and subsidiaries (Calavo or the Cooperative) as of October 31, 2000 and 1999, and the related consolidated statements of operations and member proceeds, shareholders' equity, and cash flows, for each of the three years in the period ended October 31, 2000 and have issued our report thereon dated December 14, 2000, except for the second paragraph of Note 14 as to which the date is February 20, 2001, included elsewhere in this Registration Statement. Our audits also included the financial statement schedule listed in Item 21 of this Registration Statement. This financial statement schedule is the responsibility of the Cooperative's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ DELOITTE & TOUCHE LLP

Costa Mesa, California
December 14, 2000, except for the
second Paragraph of Note 14, as to
which the date is February 20, 2001.

INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
2.1	Agreement and Plan of Merger and Reorganization dated as of February 20, 2001 between Calavo Growers, Inc. and Calavo Growers of California.
3.1	Articles of Incorporation of Calavo Growers, Inc.
3.2	Bylaws of Calavo Growers, Inc.
5.1	Form of opinion of Troy & Gould Professional Corporation with respect to the securities being registered (executed copy to be filed by amendment).
8.1	Form of opinion of Troy & Gould Professional Corporation with respect to certain tax matters (executed copy to be filed by amendment).
10.1	Form of Marketing Agreement for Calavo Growers, Inc.
10.2	Marketing Agreement dated as of April 1, 1996 between Tropical Hawaiian Products, Inc., a Hawaiian corporation, and Calavo Growers of California.
10.3	Lease Agreement (undated) between Tede S.A. de C.V., a Mexican corporation, and Calavo Foods de Mexico, S.A. de C.V., a Mexican corporation, including attached Guaranty of Calavo Growers of California dated October 25, 1994.
10.4	Lease Agreement dated as of November 21, 1997, between Tede S.A. de C.V., a Mexican corporation, and Calavo de Mexico, S.A. de C.V., a Mexican corporation, including attached Guaranty of Calavo Growers of California dated December 16, 1996.
10.5	Lease Intended as Security dated as of September 1, 2000 between Banc of America Leasing & Capital, LLC, a Delaware limited liability company, and Calavo Growers of California.
10.6	Business Loan Agreement dated as of April 20, 1999 between Bank of America National Trust and Savings Association and Calavo Growers of California.
10.7	Amendment No. 2 to Business Loan Agreement (undated) between Bank of America N.A. (formerly Bank of America National Trust and Savings Association) and Calavo Growers of California.
10.8	Loan Agreement dated as of September 1, 1985 between the Riverside County Industrial Development Authority and Calavo Growers of California relating to variable rate demand industrial development revenue bonds.
10.9	Reimbursement Agreement dated as of September 1, 1985 between Security Pacific National Bank and Calavo Growers of California.
10.10	Amendment No. Two to Reimbursement Agreement dated as of August 22, 1995 between Bank of America National Trust and Savings Association (as successor to Security Pacific National Bank) and Calavo Growers of California.
10.11	Amendment No. Three to Reimbursement Agreement dated as of October 18, 2000 between Bank of America, N.A. (formerly Bank of America National Trust and Savings Association) and Calavo Growers of California.
10.12	Master Loan Agreement dated as of June 15, 2000 between CoBank, ACB and Calavo Growers of California, including attached Revolving Credit Supplement dated June 15, 2000 between CoBank, ACB and Calavo Growers of California.
10.13	Calavo Supplemental Executive Retirement Agreement dated March 11, 1989 between Egidio Carbone, Jr. and Calavo Growers of California.
10.14	Amendment to the Calavo Growers of California Supplemental Executive Retirement Agreement dated November 9, 1993 between Egidio Carbone, Jr. and Calavo Growers of California.
21.1	Subsidiaries of Calavo Growers of California.
23.1	Consents of Troy & Gould Professional Corporation (included in the opinions filed as Exhibits 5.1 and 8.1).
23.2	Consent of Deloitte & Touche LLP.
24.1	Powers of Attorney to execute amendments to this Registration Statement (included on the signature pages of this Registration Statement).
99.1	Form of Ballot of Calavo Growers of California.

EXHIBIT NUMBER	DESCRIPTION
99.2	Restated Articles of Incorporation of Calavo Growers of California.
99.3	Bylaws (including Marketing Agreement) of Calavo Growers of California, as amended to date.

EXHIBIT 2.1

AGREEMENT AND PLAN OF MERGER AND REORGANIZATION

This Agreement and Plan of Merger and Reorganization (the "Agreement") is entered into as of February 20, 2001 between Calavo Growers of California ("Calavo"), a nonprofit cooperative association that is organized under the California Food and Agricultural Code, and Calavo Growers, Inc. ("New Calavo"), a corporation that is organized under the California General Corporation Law (the "California Corporation Law").

RECITALS

A. Calavo's Board of Directors has determined that it is in the best interests of Calavo and its shareholders to convert Calavo into a corporation that is organized under and governed by the California Corporation Law. New Calavo is a wholly owned subsidiary of Calavo, and Calavo has approved this Agreement as the sole shareholder of New Calavo.

B. The Boards of Directors of Calavo and New Calavo have approved this Agreement and intend that this Agreement shall constitute a plan of reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1968, as amended. Pursuant to this Agreement, Calavo shall be merged into New Calavo, and New Calavo shall continue as the surviving corporation.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, Calavo and New Calavo hereby agree as follows:

1. The Merger. At the Effective Time (as defined below), Calavo shall be merged into New Calavo (the "Merger") upon the terms and conditions described in this Agreement and in accordance with the California Corporation Law. The Merger shall become effective on such date and at such time (jointly referred to herein as the "Effective Time") as a short-form agreement of merger substantially in the form of Exhibit A attached hereto and incorporated herein, together with all officers' certificates that are required under the California Corporation Law, are filed by Calavo and New Calavo with the California Secretary of State pursuant to the California Corporation Law as promptly as practicable after the satisfaction or waiver (where permissible) of the closing conditions that are described below in Section 6.

2. Effect of the Merger. At the Effective Time, the separate existence of Calavo shall terminate, and New Calavo shall continue as the surviving corporation. The Merger shall have the effect prescribed by the California Corporation Law. Without limiting the generality of the preceding sentence, at the Effective Time New Calavo automatically shall succeed to all of the rights and properties of Calavo and shall be subject to all of the debts and liabilities of Calavo in the same manner as if New Calavo had itself incurred them.

3. Articles of Incorporation and Bylaws of New Calavo. The Articles of Incorporation and Bylaws of New Calavo that are in effect immediately prior to the Effective Time shall remain in effect after the Merger unless and until they are subsequently amended as provided by applicable law.

4. Officers and Directors. Each officer and director of New Calavo shall continue to hold office after the Merger until his or her successor is duly elected or until his or her earlier death, resignation or removal.

5. Conversion of Shares. At the Effective Time:

(a) Each share of the preferred stock and common stock of Calavo that is outstanding immediately prior to the Effective Time automatically shall be converted into one share of the common stock of New Calavo without the necessity for further action on the part of the holder of such share; and

(b) Each share of the common stock of New Calavo that is outstanding immediately prior to the Effective Time shall be cancelled without payment of any consideration therefor.

6. Closing Conditions. The Merger shall occur as promptly as practicable after the satisfaction of each of the following conditions, provided, however, that any of the following conditions may be waived by a writing executed by Calavo and New Calavo if and to the extent that such waiver is permitted by applicable law:

(a) This Agreement and the transactions contemplated hereby shall have been approved by Calavo's shareholders;

(b) The Registration Statement on Form S-4 that has been filed with the Securities and Exchange Commission regarding the shares of common stock that New Calavo will issue in the Merger shall have become effective and shall not be subject to any stop order suspending its effectiveness or to any proceeding seeking a stop order;

(c) All permits, consents and approvals that are required from the California Department of Corporations and other applicable state securities regulatory authorities regarding the offer and sale of New Calavo common stock in the Merger shall have been obtained;

(d) Calavo shall have obtained all necessary consents to the Merger from its lenders and any other parties whose consents are required under contracts to which Calavo is a party; and

(e) There shall not be in effect any judgment, regulation, order or injunction of any court or governmental authority that prohibits the Merger.

7. Further Assurances. Calavo and New Calavo shall take such further actions and execute such further documents as may be necessary or advisable in order to carry out the terms of this Agreement.

8. Amendment and Termination. This Agreement (including Exhibit A hereto) may be amended by a writing executed by Calavo and New Calavo at any time prior to the Effective Time. However, after the approval of Calavo's shareholders has been obtained, no amendment of this Agreement that changes its principal terms may be made without the further approval of such shareholders. This Agreement may be terminated by action of the Board of Directors of Calavo at any time prior to the Effective Time, whether before or after shareholder approval has been obtained.

9. Counterparts. This Agreement may be executed in two counterparts, each of which shall be deemed an original but both of which shall constitute one and the same instrument.

10. Governing Law. This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of California without giving effect to the conflict of law principles of such state.

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

CALAVO GROWERS OF CALIFORNIA

By: /s/ LECIL E. COLE

Lecil E. Cole
Chairman, Chief Executive Officer
and President

By: /s/ EGIDIO CARBONE, JR.

Egidio Carbone, Jr.
Vice President, Finance and
Corporate Secretary

CALAVO GROWERS, INC.

By: /s/ LECIL E. COLE

Lecil E. Cole
Chairman, Chief Executive Officer
and President

By: /s/ EGIDIO CARBONE, JR.

Egidio Carbone, Jr.
Vice President, Finance and
Corporate Secretary

EXHIBIT A

AGREEMENT OF MERGER

This Agreement of Merger (the "Agreement") is entered into as of February 20, 2001 between Calavo Growers of California, a nonprofit cooperative association that is organized under the California Food and Agricultural Code (the "Merging Corporation"), and Calavo Growers, Inc., a corporation that is organized under the California General Corporation Law (the "Surviving Corporation").

1. The Merging Corporation shall be merged into the Surviving Corporation. The effect of the merger and the effective time of the merger are as prescribed by applicable law.

2. At the effective time of the merger, (i) each outstanding share of the preferred stock and common stock of the Merging Corporation shall be converted into one share of the common stock of the Surviving Corporation, and (ii) each outstanding share of the stock of the Surviving Corporation shall be cancelled without payment of any consideration therefor.

3. The Articles of Incorporation and Bylaws of the Surviving Corporation that are in effect immediately prior to the effective time of the merger shall remain in effect after the merger unless and until they are subsequently amended as provided by applicable law.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

CALAVO GROWERS OF CALIFORNIA

By: /s/ LECIL E. COLE

Lecil E. Cole
Chairman, Chief Executive Officer
and President

By: /s/ EGIDIO CARBONE, JR.

Egidio Carbone, Jr.
Secretary

CALAVO GROWERS, INC.

By: /s/ LECIL E. COLE

Lecil E. Cole
Chairman, Chief Executive Officer
and President

By: /s/ EGIDIO CARBONE, JR.

Egidio Carbone, Jr.
Secretary

EXHIBIT 3.1

ARTICLES OF INCORPORATION OF CALAVO GROWERS, INC.

ARTICLE I

The name of this corporation is Calavo Growers, Inc. (the "Corporation").

ARTICLE II

The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

ARTICLE III

The name and address in the State of California of the Corporation's initial agent for service of process is: Egidio Carbone; 2530 Red Hill Avenue; Santa Ana, California 92705-5542.

ARTICLE IV

The Corporation is authorized to issue only one class of stock, which shall be designated common stock with a par value of $0.001 per share. The total number of shares that the Corporation is authorized to issue is One Hundred Million (100,000,000).

ARTICLE V

(a) The liability of the directors of the Corporation for monetary damages shall be eliminated to the fullest extent permissible under California law.

(b) The Corporation 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.

(c) Any amendment of this Article V shall not adversely affect any right or protection of an agent of the Corporation existing at the time of such amendment.

ARTICLE VI

Each of the following actions shall require the approval of at least seventy-five percent (75%) of the authorized number of directors that is set forth or established in accordance with the Corporation's Bylaws:

(a) The issuance by the Corporation of any shares of stock or of any options, warrants or other rights to acquire shares of stock;

(b) The amendment of these Articles of Incorporation, provided, however, that any approval of the Corporation's shareholders that is required by applicable law shall also be obtained in order for such amendment to be effective; or

(c) The adoption, amendment or repeal by the Corporation's Board of Directors of any Bylaws, provided, however, that the Corporation's shareholders shall also be entitled to adopt, amend or repeal Bylaws by the affirmative vote or written consent of a majority of the outstanding shares entitled to vote.

/s/ MARC L. BROWN

Dated: January 4, 2001 --------------------------------------

Marc L. Brown,
Incorporator

EXHIBIT 3.2

BYLAWS OF

CALAVO GROWERS, INC., A CALIFORNIA CORPORATION

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BYLAWS
OF
CALAVO GROWERS, INC.

ARTICLE I -- OFFICES

SECTION 1.01 Principal Office. The principal executive office of Calavo Growers, Inc. (the "Corporation") is hereby fixed and located at 2530 Red Hill Avenue, Santa Ana, California. The Board of Directors is hereby granted full power and authority to change said principal office from one location to another at any place or places where the Corporation is qualified to do business.

SECTION 1.02 Other Offices. Branch or subordinate offices may at any time be established by the Board of Directors at any place or places where the Corporation is qualified to do business.

ARTICLE II -- MEETINGS OF SHAREHOLDERS

SECTION 2.01 Place of Meetings. All meetings of shareholders shall be held either at the principal executive office or at any other place within or without the State of California which may be designated by the Board of Directors or by the shareholders by obtaining written consent of all the persons entitled to vote thereat.

SECTION 2.02 Annual Meetings. An annual meeting of shareholders shall be held each year on a date and at a time designated by the Board of Directors.

Notice of each annual meeting shall be given to each shareholder entitled to vote thereat, either personally or by first-class mail or other means of written communication, charges prepaid, addressed to such shareholder at the address appearing on the books of the Corporation for such shareholder or given by such shareholder to the Corporation for the purpose of notice. If no such address appears or is given, notice shall be deemed to have been given such shareholder if sent by mail or other means of written communication addressed to the place where the principal executive office of the Corporation is situated, or if published at least once in some newspaper of general circulation in the county in which said office is located.

All such notices shall be delivered personally, or deposited in the mail or sent by other means of written communication, to each shareholder entitled to vote thereat, not less than ten (10) nor more than sixty (60) days before such annual meeting, and shall specify the place, date and hour of such meeting and those matters which the Board of Directors, at the time of the giving of such notice, intends to present for action by the shareholders, including the names of nominees intended at the time of such notice to be presented by the Board of Directors for election to the Board of Directors. Such notice shall also state the general nature of the business or proposal to be considered or acted upon at such meeting before action may be taken at such meeting on:

(a) A proposal to approve a contract or other transaction between the Corporation and one (1) or more directors or any corporation, firm or association in which one or more directors has a material financial interest;

(b) A proposal to amend the Articles of Incorporation;

(c) A proposal to approve a reorganization of the Corporation;

(d) A proposal to wind up and dissolve the Corporation; or

(e) A proposal to approve a plan of distribution of the shares, obligations or securities of any other corporation, or assets other than money, which is not in accordance with the liquidation rights of any preferred shares as specified in the Articles of Incorporation, in the process of the winding up of the Corporation.

SECTION 2.03 Special Meetings. Special meetings of the shareholders, for any purpose or purposes whatsoever, may be called at any time by the Chairman of the Board, the President, the Board of

Directors or by one or more shareholders entitled to cast not less than ten percent (10%) of the votes at the meeting. Upon request in writing to the Chairman of the Board, the President, any Vice President or the Secretary by any person, other than the Board of Directors, entitled to call a special meeting of shareholders, such officer shall cause notice to be given forthwith, but in no event later than twenty (20) days after receipt of the request, that a meeting will be held at the time requested by the person or persons calling the meeting, which time shall be not less than thirty-five (35) and not more than sixty (60) days after receipt of the request. Except in special cases where other express provision is made by statute and as set forth herein, notice of such special meetings shall be given in the same manner as for annual meetings of shareholders. Notices of any special meeting shall specify, in addition to the place, date and hour of such meeting, the general nature of the business to be transacted.

SECTION 2.04 Adjourned Meetings and Notice Thereof. Any shareholders' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by a vote of a majority of the shares, the holders of which are either present in person or by proxy thereat, but in the absence of a quorum, no other business may be transacted at any such meeting except as provided in Section 2.07 of this Article.

When any shareholders' meeting, either annual or special, is adjourned for forty-five (45) days or less, the time and place of the adjourned meeting shall be announced at the meeting at which the adjournment is taken. When any shareholders' meeting, either annual or special, is adjourned for more than forty-five (45) days, or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the adjourned meeting as in the case of an original meeting. Except as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting, and at the adjourned meeting the Corporation may transact any business which might have been transacted at the original meeting.

SECTION 2.05 Entry of Notice of Delivery. An affidavit executed by the Secretary, any Assistant Secretary or any transfer agent to the effect that any notice or report required to be given to a shareholder by law or these Bylaws was duly given to such shareholder shall be sufficient evidence that such notice or report was duly given to such shareholder. If any notice or report addressed to a shareholder at the address of such shareholder appearing on the books of the Corporation is returned to the Corporation by the United States Postal Service marked to indicate that the United States Postal Service is unable to deliver the notice or report to the shareholder at such address, all future notices or reports shall be deemed to have been duly given without further mailing if the same shall be available for the shareholder upon written demand of the shareholder at the principal executive office of the Corporation for a period of one (1) year from the date of the giving of the notice or report to all other shareholders.

SECTION 2.06 Voting by Shareholders; Director Nominations; Cumulative Voting for Directors. Except as otherwise provided in the Articles of Incorporation and in this Section, at all meetings of shareholders every shareholder entitled to vote shall have the right to vote in person or by proxy the number of shares standing in his or her name on the stock records of the Corporation. Such vote may be given by viva voce or by ballot; provided, however, that all elections for directors shall be by ballot upon demand made by a shareholder at any election and before the voting begins.

Nominations of persons for election to the Board of Directors may be made at, or in advance of, each meeting of shareholders at which directors are to be elected (i) by or at the direction of the incumbent Board of Directors and (ii) by any shareholder of the Corporation who is entitled to vote at the meeting in the election of directors by submitting the name of such candidate or candidates in writing to the Secretary of the Corporation. Each director nominee must satisfy the qualification requirements that are described in Section 3.02 of these Bylaws, and all solicitations of proxies to be used in connection with the election of directors must satisfy applicable federal and state securities laws and regulations and other applicable laws and regulations.

At each election of directors of the Corporation, if the candidate's name or candidates' names have been placed in nomination prior to the voting, each shareholder entitled to vote shall have the right to cast as many votes as shall equal the number of votes to which his or her shares are normally entitled

multiplied by the number of directors to be elected, and he or she may cast all of such votes for a single candidate or may distribute them among some or all of the candidates as he or she sees fit. The candidates receiving the highest number of affirmative votes up to the number of directors to be elected shall be elected; provided, however, that such candidates must satisfy the qualification requirements for directors that are described in Section 3.02 of these Bylaws.

The affirmative vote of the majority of the shares represented and voting at a duly held meeting at which a quorum is present (which shares voting affirmatively also constitute at least a majority of the required quorum) shall be the act of the shareholders, unless the vote of a greater number is required by law or by the Articles of Incorporation or these Bylaws, and except as set forth in Section 2.07 of this Article and at elections of directors as set forth in this Section.

SECTION 2.07 Quorum. The presence in person or by proxy of the holders of a majority of the shares entitled to vote at any meeting shall constitute a quorum for the transaction of business. The shareholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum, if any action taken, other than adjournment, is approved by at least a majority of the shares required to constitute a quorum.

SECTION 2.08 Consent of Absentees. The proceedings and transactions of any meeting of shareholders, either annual or special, however called and noticed and wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy and if, either before or after the meeting, each of the persons entitled to vote, not present in person or by proxy, signs a written waiver of notice, a consent to the holding of such meeting or an approval of the minutes thereof. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of shareholders need be specified in any written waiver of notice, consent to the holding of the meeting or approval of the minutes thereof unless otherwise provided in the Articles of Incorporation or these Bylaws, except for the matters referred to in subparagraphs (a) through (e) of Section 2.02 of this Article. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Attendance of a person at a meeting shall constitute a waiver of notice of and presence at such meeting, except when the person objects at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened, and except that attendance at a meeting is not a waiver of any right to object to the consideration of matters required by law to be included in the notice but not so included, if such objection is expressly made at the meeting.

SECTION 2.09 Action Without Meeting. Any action which may be taken at any annual or special meeting of the shareholders may be taken without a meeting and without prior notice, if authorized by a written consent setting forth the action so taken, signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted, and filed with the Secretary of the Corporation; provided, however, that directors may not be elected by written consent except by unanimous written consent of all shares entitled to vote for the election of directors, except that a vacancy on the Board of Directors (other than a vacancy created by removal of a director) not filled by the Board of Directors may be filled by the written consent of a majority of the outstanding shares entitled to vote. Any shareholder giving a written consent, such shareholder's proxyholders, a transferee of the shares or a personal representative of such shareholder or their respective proxyholders, may revoke any such consent by a writing received by the Corporation prior to the time that written consents of the number of shares required to authorize the proposed action have been filed with the Secretary of the Corporation, but may not do so thereafter. Such revocation shall be effective upon its receipt by the Secretary of the Corporation.

Unless the consents of all shareholders entitled to vote have been solicited in writing and have been received, prompt notice shall be given, in the same manner as for annual meetings of shareholders except as set forth in this Section, to those shareholders entitled to vote who have not consented in writing, of the

taking of any corporate action approved by shareholders without a meeting. Such notice shall be given at least ten (10) days before the consummation of the action authorized by such approval with respect to the following:

(a) Approval of any transaction referred to in subparagraph (a), (c) or (e) of Section 2.02 of this Article; or

(b) Approval required by law of the indemnification of any person.

SECTION 2.10 Proxies. Every person entitled to vote or execute consents shall have the right to do so either in person or by an agent or agents authorized by a written proxy executed by such person or his or her duly authorized agent; provided, however, that no such proxy shall be valid after the expiration of eleven (11) months from the date of its execution otherwise provided in the proxy.

SECTION 2.11 Districts. For purposes of administering the Corporation, the Board of Directors may divide the territory in which the Corporation has shareholders into two (2) or more districts. The number of such districts may correspond to the authorized number of directors of the Corporation. The boundaries and number of the districts shall be determined by the Board of Directors, which shall have authority to revise and redefine the number and boundaries of the districts from time to time. If the Board of Directors establishes such districts, it shall assign each shareholder to a district based upon the district in which the shareholder (if a grower) has the largest acreage or production and on other factors deemed relevant by the Board of Directors.

The Board of Directors may establish policies and procedures for informational meetings of the members of the various districts that shall be held from time to time. However, any such meetings are not intended to function as a substitute for the annual and special meetings of the Corporation's shareholders that are discussed in these Bylaws. Furthermore, voting for directors shall not be conducted on a district basis but shall instead be conducted in the manner described in the preceding sections of this Article II. In each such election, each shareholder shall be entitled to cast votes for the number of directors that are to be elected and shall not be limited to voting only for directors from his or her district.

The determinations of the Board of Directors on all matters relating to the Corporation's districts shall be final, binding and conclusive on all persons.

ARTICLE III -- DIRECTORS

SECTION 3.01 Powers; Committees of Directors, Including Executive Committee and Nominating Committee. Subject to limitations of the Articles of Incorporation, of these Bylaws and of the California General Corporation Law as to action to be authorized or approved by the shareholders or by the outstanding shares, and subject to the duties of directors as prescribed by these Bylaws, the business and affairs of the Corporation shall be managed and all corporate powers shall be exercised by or under the direction of the Board of Directors. Without prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the directors shall have the following powers:

(a) To select and remove all officers, agents and employees of the Corporation, prescribe such powers and duties for them as may not be inconsistent with law, with the Articles of Incorporation or these Bylaws, fix their compensation and require from them security for faithful service;

(b) To conduct, manage and control the affairs and business of the Corporation, and to make such rules and regulations therefor not inconsistent with law, the Articles of Incorporation or these Bylaws, as they may deem best;

(c) To change the principal office for the transaction of the business of the Corporation from one location to another within or without the State of California, as provided in Section 1.01 of Article I; to fix and locate from time to time one or more branch or subsidiary offices of the Corporation within or without the State of California, as provided in Section 1.02 of Article I; to designate any place within or without the State of California for the holding of any shareholders'

meetings; and to adopt, make and use a corporate seal, to prescribe the form of certificates of stock and to alter the form of such seal and of such stock certificates from time to time as in their judgment they may deem best, provided such seal and such certificates shall at all times comply with the provisions of law;

(d) To authorize the issue of stock of the Corporation from time to time, upon such terms as may be lawful, in consideration of money paid, labor done, services actually rendered to the Corporation or for its benefit or in its formation or reorganization, debts or securities cancelled, tangible or intangible property actually received either by the Corporation or by a wholly-owned subsidiary, or as a share dividend, or upon a stock split, reverse stock split, reclassification or conversion of outstanding shares into shares of another class, exchange of outstanding shares for shares of another class, or other change affecting outstanding shares;

(e) To borrow money and incur indebtedness for the purposes of the Corporation and to cause to be executed and delivered therefor, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidences of debt and security therefor; and

(f) To designate one or more committees and to appoint members and alternate members therefor, by resolution adopted by a majority of the authorized number of directors, each committee consisting of two (2) or more directors and any alternate directors as may be designated to replace any absent members at any meeting thereof, to serve at the pleasure of the Board of Directors and to delegate to any such committee any of the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, except the following powers: to approve any action which by law or by these Bylaws also requires shareholders' approval or approval of the outstanding shares, to fill vacancies on the Board of Directors or any committee thereof, to fix the compensation of directors for serving on the Board of Directors or any committee thereof, to amend or repeal bylaws or adopt new bylaws, to amend or repeal any resolution of the Board of Directors which by its express terms is not so amendable or repealable, to authorize a distribution to the shareholders of the Corporation (other than a dividend in shares of the Corporation) except at a rate or in a periodic amount or within a price range determined by the Board of Directors or to appoint other committees of the Board of Directors or the members thereof.

Without limiting the generality of the preceding paragraph:

There shall be an Executive Committee consisting of the Corporation's Chairman of the Board and four (4) other directors who shall be appointed by a majority of the authorized number of directors. The Executive Committee shall have all of the functions and powers of the Board of Directors that are delegated to it by the Board of Directors except as otherwise provided by law and subject to the direction and control of the Board of Directors.

The Board of Directors may also appoint a Nominating Committee, which shall consist of two (2) or more directors, to assist it in the identification and nomination of candidates for election as directors. The Nominating Committee shall have the functions and powers that are delegated to it from time to time by the Board of Directors, although it shall remain subject to the direction and control of the Board of Directors. With the assistance of any such Nominating Committee that is appointed, the Board of Directors shall establish such rules and procedures for its selection of director nominees as it deems appropriate. Among other things, the Board of Directors shall have discretion to nominate a candidate from each district that is described in Section 2.11 of these Bylaws, although it shall not be obligated to follow such nomination procedure.

SECTION 3.02 Number and Qualifications of Directors. The authorized number of directors of the Corporation shall be not less than eight (8) nor more than fifteen (15), and the exact number of directors within such limits shall be ten (10) unless and until such exact number is changed from time to time, within such specified limits, by a resolution which is duly adopted by the Board of Directors or by the shareholders. The minimum and maximum number of directors may be changed, or the Corporation may

implement a board structure that specifies a fixed number of directors without minimum and maximum numbers, by amendment of the Articles of Incorporation or by a bylaw amending this Section of these Bylaws duly adopted by the affirmative vote or written consents of a majority of the outstanding shares entitled to vote; provided, however, that no such amendment reducing the number of directors to a number less than five (5) shall be adopted if the votes cast against its adoption at a meeting, or the shares not consenting thereto in the case of action by written consent, are equal to more than sixteen and two-thirds percent (16 2/3%) of the outstanding shares entitled to vote.

An individual shall be qualified to be elected as a director, and to continue serving as a director, (i) only if he or she (or a corporation, partnership, limited liability company or other entity which he or she controls) is a party to a marketing agreement, consignment agreement or other similar agreement with the Corporation pursuant to which he or she (or such corporation, partnership, limited liability company or other entity) has agreed to deliver California-grown avocados to the Corporation for processing and marketing, and (ii) only if he or she (or such corporation, partnership, limited liability company or other entity) is not in default under such agreement with the Corporation. The preceding qualification for directors shall be inapplicable to any directors who are elected by the holders of shares of the Corporation's preferred stock (if a class or series of preferred stock is issued and outstanding) voting separately as a class or series in the election of directors.

SECTION 3.03 Election and Term of Office. The directors shall be elected at each annual meeting of the shareholders, but if any such annual meeting is not held or the directors are not elected thereat, the directors may be elected at any special meeting of the shareholders held for that purpose. Each director shall hold office until the expiration of the term for which elected and until his or her successor is elected and qualified or until he or she is removed from office. No director may be removed prior to the expiration of his or her term of office, except as permitted by law.

SECTION 3.04 Vacancies. Vacancies in the Board of Directors, other than those created by the removal of a director, may be filled by a majority of the remaining directors, though less than a quorum, or by a sole remaining director, and each director so elected shall hold office until his or her successor is elected at an annual or special meeting of the shareholders.

A vacancy or vacancies in the Board of Directors shall be deemed to exist when any authorized position of director is not filled by a duly elected and acting director, whether caused by the death, resignation or removal of any director, increase in the authorized number of directors, failure of the shareholders, at any annual or special meeting of shareholders at which any director or directors are elected, to elect the full authorized number of directors to be voted for at that meeting or otherwise.

The shareholders may elect a director or directors at any time to fill any vacancy or vacancies created by the removal of a director or not filled by the directors. Any such election by written consent other than to fill a vacancy created by removal (which shall require the unanimous written consent of all shares entitled to vote for the election of directors) shall require the written consent of a majority of the outstanding shares entitled to vote. If the resignation of a director is given to take effect at a future time, the Board of Directors or the shareholders shall have power to elect a successor to take office when the resignation is to become effective.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of his or her term of office.

SECTION 3.05 Place of Meeting. Meetings of the Board of Directors or any committee thereof shall be held at any place within or without the State of California which has been designated in the notice of the meeting or, if not stated in the notice or there is no notice, from time to time by resolution of the Board of Directors or committee, as the case may be. In the absence of such designation, meetings shall be held at the principal executive office of the Corporation.

SECTION 3.06 Organizational Meeting. Immediately following each annual meeting of shareholders, the Board of Directors shall hold a regular meeting for the purpose of organization, election of officers and the transaction of other business. Notice of such meetings is hereby dispensed with.

SECTION 3.07 Other Regular Meetings. Other regular meetings of the Board of Directors and regular meetings of committees of the Board of Directors shall be held without call on such dates as may be fixed by the Board of Directors or the committee, as the case may be. Notice of all such regular meetings of the Board of Directors and committees thereof is hereby dispensed with.

SECTION 3.08 Special Meetings. Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the Chairman of the Board, by the President, by any Vice President, by the Secretary or by any two (2) or more directors. Special meetings of any committee of the Board of Directors for any purpose or purposes may be called at any time by the President, by the Chairman or by any vice-chairman of the committee, by the Secretary or by any two (2) or more members of the committee.

Notice of the time and place of special meetings shall be delivered personally to all directors or committee members as the case may be, either in writing or orally or by telephone, or shall be sent to each such director by first-class mail, facsimile, telegram or other electronic or voice mail message, charges prepaid, addressed to him or her at his or her address as it is shown upon the records of the Corporation or, if it is not shown on such records or is not readily ascertainable, at the place in which the meetings of the directors are regularly held. In case such notice is mailed, it shall be deposited with the United States Postal Service in the place where the principal office of the Corporation is located at least four (4) days prior to the time of the holding of the meeting. In case such notice is delivered by facsimile, telegram or other electronic or voice mail message or personally as above provided, it shall be delivered at least forty-eight (48) hours prior to the time of the holding of the meeting.

Such notice need not specify the purpose of the special meeting. Such mailing, telegraphing or personal delivery as above provided shall be due, timely, legal and personal notice to such director.

SECTION 3.09 Notice of Adjournment. Unless a directors' or committee meeting has been adjourned for more than twenty-four (24) hours, notice of the time and place of holding an adjourned meeting need not be given to absent directors or committee members if the time and place be fixed at the meeting adjourned. If the meeting has been adjourned for more than twenty-four (24) hours, notice of such adjournment and the time and place of the adjourned meeting shall be given prior to the time of the adjourned meeting to all directors or committee members who were not present at the time of the adjournment, in the same manner as provided in Section 3.08 of this Article for special meetings of the Board of Directors or committee thereof.

SECTION 3.10 Entry of Notice. Whenever any director has been absent from any special meeting of the Board of Directors or committee thereof, an affidavit executed by the Secretary or any Assistant Secretary to the effect that notice has been duly given as required by law and these Bylaws shall be sufficient evidence that due notice of such special meeting was given to such director.

SECTION 3.11 Waiver of Notice. The transactions of any meeting of the Board of Directors or committee thereof, however called and noticed and wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present and if, either before or after the meeting, each of the directors or committee members not present, and each director or committee member who is present but did not receive due notice thereof and protests such lack of notice prior to such meeting or at its commencement, signs a written waiver of notice, a consent to holding such meeting or an approval of the minutes thereof. Such waiver of notice need not specify the purpose of the meeting. All such waivers, consents or approvals shall be filed with the Corporate records or made a part of the minutes of the meeting.

SECTION 3.12 Quorum. A majority of the authorized number of directors on the Board of Directors or any committee thereof shall be necessary to constitute a quorum for the transaction of business by such Board or committee, as the case may be. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors or committee members, if any action taken is approved by at least a majority of the required quorum for such meeting. Subject to the foregoing sentence of this Section, every act or decision done or made by a majority of the directors or committee

members present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors or committee thereof, as the case may be, unless a greater number is required by law, the Articles of Incorporation or these Bylaws. Directors shall be deemed present at any meeting of the Board of Directors or any committee thereof and may participate therein if present through use of conference telephone or similar communications equipment, so long as all directors participating in such meeting can hear one another.

SECTION 3.13 Adjournment. A majority of the directors or committee members present, whether or not a quorum is present, may adjourn any directors' or committee meeting to meet again at a stated time, place and hour.

SECTION 3.14 Action Without Meeting. Any action required or permitted to be taken by the Board of Directors or any committee thereof may be taken without a meeting if all members of the Board of Directors or such committee shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board of Directors or such committee, as the case may be. Such action by written consent shall have the same force and effect as a unanimous vote of such directors or committee members.

SECTION 3.15 Fees and Compensation. Directors shall not receive any stated salary for their services as directors but, by resolution of the Board of Directors, a fixed fee, with or without expenses of attending, may be allowed for attendance at each meeting. Nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity as an officer, agent, employee or otherwise and receiving compensation therefor.

ARTICLE IV -- OFFICERS

SECTION 4.01 Officers. The officers of the Corporation shall be the Chairman of the Board, the Chief Executive Officer, the President, the Secretary and the Chief Financial Officer.

The Corporation may also have, at the discretion of the Board of Directors, a Vice Chairman of the Board, one or more Vice Presidents, one or more Assistant Secretaries, one or more Assistant Chief Financial Officers and such other officers as may be appointed in accordance with the provisions of Section 4.03 of this Article. Officers other than the Chairman of the Board need not be directors. One person may hold two or more offices.

SECTION 4.02 Elections. The officers of the Corporation shall be chosen by the Board of Directors and each shall hold his or her office until his or her successor is appointed or until he or she resigns or is removed from office.

SECTION 4.03 Subordinate Officers. The Board of Directors may appoint such other officers as the business of the Corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in these Bylaws or as the Board of Directors may from time to time determine.

SECTION 4.04 Removal and Resignation. Any officer may be removed, either with or without cause, by a majority of the directors at the time in office, at a regular or special meeting of the Board of Directors or, except in case of an officer chosen by the Board of Directors, by any officer upon whom such power of removal may be conferred by the Board of Directors.

Any officer may resign at any time by giving written notice to the Board of Directors, the Chief Executive Officer, the President or the Secretary of the Corporation. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 4.05 Vacancies. A vacancy in any office because of death, resignation, removal or any other cause shall be filled by the Board of Directors at a regular or special meeting.

SECTION 4.06 Chairman of the Board. The Chairman of the Board shall, if present, preside at all meetings of the Board of Directors, and exercise and perform such other powers and duties as may from time to time be assigned to him or her by the Board of Directors or as prescribed by these Bylaws. The Board of Directors may also designate one of its members as Vice Chairman of the Board. The Vice Chairman of the Board shall, during the absence or inability to act as the Chairman of the Board, have the powers and perform the duties of the Chairman of the Board and shall have such other powers and perform such other duties as may from time to time be assigned to him or her by the Board of Directors or as prescribed by these Bylaws.

SECTION 4.07 Chief Executive Officer. The Chief Executive Officer shall be the general manager and chief executive officer of the Corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and affairs of the Corporation. He or she shall preside at all meetings of the shareholders, and in the absence of the Chairman or Vice Chairman of the Board, at all meetings of the Board of Directors. He or she shall have the general powers and duties of management usually vested in the office of chief executive officer of a corporation and shall have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws. Unless and until otherwise determined by the Board of Directors, the Chairman of the Board shall also serve as the Chief Executive Officer.

SECTION 4.08 President. The President shall, after the Chief Executive Officer, have general supervision, direction and control of the business and affairs of the Corporation, subject to the control of the Board of Directors and the Chief Executive Officer. The President shall have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws.

SECTION 4.09 Vice President. In the absence or disability of the President, the Vice Presidents if there shall be any such officers, in order of their rank as fixed by the Board of Directors or, if not ranked, the Vice President designated by the Board of Directors shall perform all the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Vice Presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board of Directors or these Bylaws.

SECTION 4.10 Secretary. The Secretary shall keep, or cause to be kept, a book of minutes in written form at the principal executive office of the Corporation, of all meetings of directors, committees of the Board of Directors and shareholders, with the time and place of holding, whether regular or special, and if special how authorized, the notice thereof given, the names of those directors and shareholders present, the names of those present at directors' or committee meetings, the number of shares present or represented at shareholders' meetings and the proceedings thereof.

The Secretary shall keep, or cause to be kept, at the principal executive office or at the office of the Corporation's transfer agent or registrar of shares, a share register, or a duplicate share register, in written form or in any other form capable of being converted into written form, showing the names of the shareholders and their addresses, and the number and classes of shares held by each of them.

The Secretary shall give or cause to be given notice of all meetings of shareholders and the Board of Directors, as required by these Bylaws or by law to be given, and he or she shall keep the seal of the Corporation in safe custody and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

SECTION 4.11 Chief Financial Officer. The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, in written form or in any other form capable of being converted into written form, adequate and correct books and records of account of the properties and business transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, surplus and shares.

The Chief Financial Officer shall deposit all monies and other valuables in the name and to the credit of the Corporation with such depositories as may be designated by the Board of Directors. He or she shall disburse the funds of the Corporation as may be ordered by the Board of Directors and shall render to the

President and directors, as required by Section 5.05 of Article V of these Bylaws and at such other times as they may request, an account of all of his or her transactions as Chief Financial Officer and of the financial condition of the Corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

ARTICLE V -- MISCELLANEOUS

SECTION 5.01 Record Date. The Board of Directors may fix a time in the future as a record date for the determination of the shareholders entitled to notice of and to vote at any meeting of shareholders, or to receive any dividend, distribution or allotment of rights, or to exercise rights in respect of any other lawful action. The record date so fixed shall not be more than sixty (60) nor less than ten (10) days prior to the date of the meeting, nor more than sixty (60) days prior to any other action, for which it is fixed. When a record date is so fixed, only shareholders of record at the close of business on the record date shall be entitled to notice of and to vote at such meeting, or to receive such dividend, distribution or allotment of rights, or to exercise such rights, as the case may be, notwithstanding any transfer of any shares on the books of the Corporation after the record date, except as otherwise provided in the Articles of Incorporation or by agreement or by law. A determination of shareholders of record entitled to notice of or to vote at a meeting of shareholders shall apply to any adjournment of the meeting unless the Board of Directors fixes a new record date for the adjourned meeting, but the Board of Directors shall fix a new record date if the meeting is adjourned for more than forty-five (45) days from the date set for the original meeting.

SECTION 5.02 Inspection of Corporate Records. The record of shareholders, the accounting books and records, and minutes of proceedings of the shareholders, the Board of Directors and committees of the Board of Directors, shall be open to inspection in written form upon the written demand of any shareholder or holder of a voting trust certificate, at any reasonable time during usual business hours, for a purpose reasonably related to his or her interests as a shareholder or holder of a voting trust certificate. Such inspection may be made in person or by an agent or attorney and shall include the right to copy and make extracts. Demand of inspection shall be made in writing upon the President, Secretary or Assistant Secretary of the Corporation.

A shareholder or shareholders holding at least five percent (5%) in the aggregate of the outstanding voting shares of the Corporation shall have an absolute right to do either or both of the following: (i) inspect and copy the record of shareholders' names and addresses and shareholdings during usual business hours upon five (5) business days' prior written demand upon the Corporation, or (ii) obtain from the transfer agent for the Corporation, if any, upon written demand and upon the tender of its usual charges for such a list, a list of the names and addresses of the shareholders who are entitled to vote for the election of directors, and their shareholdings, as of the most recent record date for which it has been compiled or as of a date specified by the shareholder subsequent to the date of demand, which list shall be made available on or before the later of five (5) business days after the demand is received or the date specified therein as the date as of which the list is to be compiled.

Every director shall have the absolute right at any reasonable time to inspect in written form and copy all books, records and documents of every kind and to inspect the physical properties of the Corporation and its subsidiary corporations, domestic or foreign. Such inspection may be made in person or by agent or attorney, and the right of inspection includes the right to copy and make extracts.

SECTION 5.03 Checks, Drafts and Notes. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness issued in the name of or payable to the Corporation shall be signed or endorsed by such person or persons and in such manner as, from time to time, shall be determined by resolution of the Board of Directors.

SECTION 5.04 Seal. The Corporation shall have a common seal, and shall have inscribed thereon the name of the Corporation, the date of its incorporation and the word California.

SECTION 5.05 Financial Reports. The Chief Financial Officer shall prepare and submit, or cause to be prepared and submitted, to the Board of Directors, not later than one hundred twenty (120) days after the close of each fiscal year of the Corporation, an annual report containing a balance sheet as of the end of that fiscal year and an income statement and statement of changes in financial position for that fiscal year, accompanied by the report thereon, if any, of any independent accountants engaged by the Corporation or the certificate of an authorized officer of the Corporation that the financial statements were prepared without audit from the books and records of the Corporation. The requirement of Section 1501 of the California Corporations Code that the Board of Directors shall cause the annual report to be sent to the shareholders not later than one hundred twenty (120) days after the close of the Corporation's fiscal year and at least fifteen (15) days prior to the annual meeting of shareholders is hereby expressly waived until such time as the Corporation has one hundred (100) or more holders of record of its shares.

A shareholder or shareholders holding at least five percent (5%) of the outstanding shares of any class of the Corporation may make a written request to the Corporation for an income statement of the Corporation for the three-month, six-month or nine-month period of the current fiscal year ended more than thirty (30) days prior to the date of the request and a balance sheet of the Corporation as of the end of such period and, in addition, if no annual report for the last fiscal year has been sent to shareholders, such annual report, accompanied by the report thereon, if any, of any independent accountants engaged by the Corporation or the certificate of an authorized officer of the Corporation that such financial statements were prepared without audit from the books and records of the Corporation. The annual report or statements so requested shall be delivered or mailed to the person making the request within thirty (30) days thereafter.

A copy of each such annual, semi-annual, and quarterly financial statement shall be kept on file for a period of twelve (12) months after delivery to the Board of Directors, and shall be exhibited at all reasonable times to any shareholder demanding an examination thereof or a copy shall be mailed to the shareholder.

SECTION 5.06 Execution of Documents. The Board of Directors, except as these Bylaws or the Articles of Incorporation otherwise provide, may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances; and unless so authorized by the Board of Directors, no officer, agent, or employee shall have any power or authority to bind the Corporation by any contract or agreement or to pledge its credit to render it liable for any purpose or to any amount.

SECTION 5.07 Certificates of Stock. A certificate or certificates for shares of the capital stock of the Corporation shall be issued to each shareholder when any such shares are fully paid. All such certificates shall be signed by the Chairman of the Board or the President or a Vice President, and by the Chief Financial Officer or an Assistant Chief Financial Officer, Secretary or an Assistant Secretary, or shall be authenticated by facsimiles of such signatures.

Certificates for shares may be issued prior to full payment thereof, under such restrictions and for such purposes as the Board of Directors or these Bylaws may provide; provided, however, that any such certificates so issued prior to full payment shall state the total amount of the consideration to be paid therefor and the amount paid thereon, and such statement shall be conspicuous.

There shall also appear on each certificate, to the extent applicable, statements: that the shares represented thereby are subject to restrictions upon transfer, to an irrevocable proxy under Section 705(e) of the California Corporations Code, or to restrictions upon voting rights contractually imposed by the Corporation; that such shares are redeemable or assessable or subject to conversion and the period for conversion, and any such statement that such shares are subject to restrictions upon transfer or are assessable shall be conspicuous. If the shares of the Corporation are classified or if any class of shares has two or more series, there shall also appear on each certificate the office or agency of the Corporation from which shareholders may obtain, upon request and without charge, a statement of the rights, preferences, privileges and restrictions granted to or imposed upon each class or series of shares authorized to be issued and upon the holders thereof.

Notwithstanding the foregoing provisions of this Section 5.07, the Board of Directors is entitled to elect to cause the Corporation to adopt a system of issuance, recordation and transfer of its shares by electronic or other means not involving any issuance of certificates, subject, however, to compliance with Section 416 of the California Corporations Code and other applicable law regarding such system.

SECTION 5.08 Representation of Shares of Other Corporations. Subject to the instructions and control of the Board of Directors, the Chief Executive Officer, the President or any Vice President and the Secretary or Assistant Secretary of the Corporation, acting jointly, are authorized to vote, represent and exercise on behalf of the Corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of the Corporation. The authority herein granted to said officers to vote or represent on behalf of the Corporation any and all shares held by the Corporation in any other corporation or corporations may be exercised either by such officers in person or by any person authorized so to do by proxy or power of attorney duly executed by said officers.

SECTION 5.09 Inspection of Bylaws. The Corporation shall keep in its principal executive office in the State of California, or if there be no such office at its principal business office in such State, the original or a copy of these Bylaws as amended to date, which shall be open to inspection by the shareholders at all reasonable times during office hours. If the principal executive office is outside such State and the Corporation has no principal business office in such State, the Corporation shall upon the written request of any shareholder, made in writing upon the President, Secretary or Assistant Secretary of the Corporation, furnish to such shareholder a copy of these Bylaws as amended to date.

ARTICLE VI -- RESTRICTIONS ON TRANSFER OF SHARES

SECTION 6.01 Corporation's Right of First Refusal. Before any shares of the Corporation's stock that are owned by any shareholder of the Corporation may be sold, assigned, pledged or otherwise transferred (whether voluntarily, involuntarily, by operation of law, pursuant to a marital dissolution decree or by gift or for consideration and including a transfer of any interest in any such shares), the shares shall first be offered to the Corporation, which shall have the right to purchase all (but not fewer than all) of the shares that are proposed to be transferred on the terms and conditions proposed by the potential purchaser and in accordance with the terms and conditions of this Article VI (the "Right of First Refusal").

SECTION 6.02 Notice to the Corporation of the Proposed Transfer. Each time that any shareholder of the Corporation (the "Transferring Shareholder") proposes to sell, assign, pledge or otherwise transfer any shares of the Corporation's stock in a transaction that is not a permitted transfer under Section 6.07 of this Article, the Transferring Shareholder shall give the Corporation at least thirty (30) days' prior written notice of the proposed transfer (the "Transfer Notice"). Unless the Corporation agrees in writing to another method of delivery, the Transfer Notice shall be delivered by registered or certified mail, postage prepaid and return receipt requested, or delivered personally to the Corporation's Secretary at the Corporation's principal executive office specified in Section 1.01 of these Bylaws or to such other principal executive office for the Corporation that the Board of Directors may adopt and announce from time to time.

The Transfer Notice shall set forth in reasonable detail the terms and conditions of the proposed transfer, including, without limitation, (i) the identity of the proposed transferee (who must in any case be a bona fide transferee with respect to whom the transfer is permissible under applicable federal and state securities laws), (ii) the number of shares proposed to be transferred, (iii) the purchase price per share, (iv) the terms of payment, (v) the date of the proposed transfer, and (vi) a statement by the Transferring Shareholder that he or she has entered into a legally binding agreement (subject to compliance with these Bylaws) with the proposed transferee with respect to the transfer of the shares on the terms described in the Transfer Notice. The Transferring Shareholder shall be liable to the Corporation if the Transfer Notice contains any intentional or grossly negligent misstatements or omissions.

For purposes of this Article VI, a "transfer" of shares shall be deemed to include a proposed transfer or issuance of more than fifty percent (50%) of the outstanding stock or other equity ownership interests of any shareholder of the Corporation that is a corporation, a partnership, a limited liability company or another form of entity, and the Right of First Refusal shall apply to any such proposed transaction. In that event, the Transferring Shareholder shall be deemed to have offered to sell a number of shares of the Corporation's stock equal to the number of shares owned by the Transferring Shareholder multiplied by the percentage of the Transferring Shareholder's stock or other equity ownership interests that are the subject of the proposed transaction.

SECTION 6.03 Purchase of Shares by the Corporation. The Corporation shall have the right, but not the obligation, to elect to purchase from the Transferring Shareholder all, but not less than all, of the shares of stock that the Transferring Shareholder proposes to transfer and that are described in the Transfer Notice. Within thirty (30) days after its receipt of the Transfer Notice, the Corporation shall notify the Transferring Shareholder in writing as to whether the Corporation has elected to purchase all of the shares that are described in the Transfer Notice. Failure by the Corporation to give a timely notice shall be deemed an election not to purchase all of such shares. Delivery by the Corporation of a timely purchase election shall constitute a binding purchase agreement between the Transferring Shareholder and the Corporation. The Corporation shall not be entitled to elect to purchase fewer than all of the shares that are the subject of the proposed transfer. Notices by the Corporation to the Transferring Shareholder shall be delivered in the manner specified in Section 2.02 of these Bylaws.

SECTION 6.04 Purchase Terms. Except as provided in this Section 6.04 or in Section 6.05 of this Article, the Transferring Shareholder's shares that are the subject of the proposed transfer shall be purchased by the Corporation for the same purchase price and other payment terms that are described in the Transfer Notice. If the Transfer Notice provides for the use of promissory notes or other non-cash consideration, the Corporation at its option may specify that the purchase price will be paid by it in cash in an amount equal to the Board of Directors' good faith estimate of the present fair market value of such non-cash consideration. If the Transfer Notice does not describe any purchase price for the shares that the Transferring Shareholder proposes to transfer because the transfer is a gift, an involuntary transfer or any other form of transfer that does not involve a purchase price for the shares that are the subject of the proposed transfer, the Corporation shall pay a cash purchase price equal to the Board of Directors' good faith estimate of the present fair market value or book value of such shares, whichever is greater.

SECTION 6.05 Closing of the Purchase. The Corporation shall select the date of the closing of the purchase and sale of the Transferring Shareholder's shares of stock that are to be purchased as a result of the exercise of the Right of First Refusal described in this Article by providing at least ten (10) days' written notice thereof to the Transferring Shareholder, provided, however, that the Corporation shall select a closing date that is no later than the fortieth (40th) day after its receipt of the Transfer Notice from the Transferring Shareholder unless the Corporation and the Transferring Shareholder agree to extend the closing date.

The Corporation shall deliver to the Transferring Shareholder a check in the amount of the purchase price of the shares purchased by the Corporation. However, if the transferee identified in the Transfer Notice from the Transferring Shareholder proposes to deliver promissory notes or another form of non-cash consideration and if the Corporation does not elect pursuant to Section 6.04 of this Article above to pay cash equal to the present fair market value of such non-cash consideration, then the Corporation shall deliver such non-cash consideration to the Transferring Shareholder. The Transferring Shareholder shall execute and deliver any stock assignments and other instruments that may be reasonably requested by the Corporation in order to complete the purchase and sale of the Transferring Shareholder's shares of stock.

SECTION 6.06 Transfer of Shares to the Proposed Transferee. If the Corporation does not make a timely election to purchase all of the shares that are the subject of the proposed transfer, or if the Corporation defaults on its election to purchase such shares, the Transferring Shareholder shall have the right to transfer such shares to the proposed transferee who is identified in the Transfer Notice, provided that such transaction must be completed within sixty (60) days after the Transferring Shareholder's

delivery of the Transfer Notice to the Corporation. The shares must be transferred on the terms described in the Transfer Notice, and the transferee of such shares shall be bound by all of these Bylaws (including, without limitation, this Article VI) with respect to the transferred shares. However, the transfer shall not be made and shall be of no force or effect unless and until (i) the Corporation has determined that the transfer will be made in compliance with any and all applicable federal and state securities laws and regulations and other applicable laws and regulations, including, without limitation, the regulations of any national securities exchanges, the National Association of Securities Dealers, Inc. and any other regulatory bodies having jurisdiction over the shares and (ii) the Transferring Shareholder and the proposed transferee, at their expense, have delivered to the Corporation any and all investment representation certificates and other certificates, legal opinions and instruments of conveyance, in form and substance satisfactory to the Corporation, that may be requested by the Corporation for the purpose of demonstrating that the transfer can be lawfully made without registration or qualification under applicable federal and state securities laws and regulations and in order to effect the transfer of the shares to the transferee. Furthermore, notwithstanding anything to the contrary in these Bylaws: (a) no individual, person, corporation, partnership, other entity or group within the meaning of Section 13(d) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder may acquire or hold (directly or indirectly) record or beneficial ownership of more than twenty percent (20%) of the total outstanding shares of the Corporation's stock, as the term "beneficial ownership" is used in Rule 13d-3 under the Securities Exchange Act of 1934, as amended; (b) no shares may be transferred to any individual, person, corporation, partnership or other entity or group that is described in clause (a) of this sentence; and (c) without the prior written consent of the Board of Directors, no shares may be transferred to any individual, person, corporation, partnership, other entity or group that engages in a business that is in competition with the Corporation's business.

SECTION 6.07 Transfers Not Subject to the Right of First Refusal. The Right of First Refusal shall not apply to a transfer of shares of stock (i) to a member or members of the Transferring Shareholder's immediate family or (ii) to an inter vivos trust established for the sole and exclusive benefit of the Transferring Shareholder and/or a member or members of the Transferring Shareholder's immediate family. The transferee(s) of such shares shall be bound by all of these Bylaws (including, without limitation, this Article VI) with respect to the transferred shares. Furthermore, within ten (10) days after the effective date of such transfer, the Transferring Shareholder (or his or her legal representative) shall advise the Secretary of the Corporation in writing of the details of such transfer and shall provide written documentation to the Corporation demonstrating that such transfer satisfies the terms and conditions of this Section 6.07. For purposes of this Section 6.07, the term "immediate family" means a shareholder's spouse, children, grandchildren, parents, brothers and sisters.

SECTION 6.08 Transfers of Shares in Violation of the Bylaws. Any sale or other transfer of shares of the Corporation's stock (including any agreement to sell or transfer shares) that is made in violation of the terms and conditions of this Article VI shall be null and void for all purposes, and the Corporation shall not be required to transfer on its books any shares that are the subject of any such sale or transfer.

SECTION 6.09 Legends on Certificates. All certificates that represent shares of the Corporation's stock shall have endorsed thereon the following legends:

(a) "THE SHARES THAT ARE REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND RIGHTS OF FIRST REFUSAL AS SET FORTH IN THE BYLAWS OF THE CORPORATION. A COPY OF THE BYLAWS IS ON FILE AT THE PRINCIPAL BUSINESS OFFICE OF THE CORPORATION."

(b) "THE SHARES THAT ARE REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, OFFERED FOR SALE, ASSIGNED, HYPOTHECATED OR OTHERWISE TRANSFERRED UNLESS SUCH TRANSFER IS REGISTERED OR QUALIFIED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND APPLICABLE STATE SECURITIES LAWS COVERING SUCH SHARES OR UNLESS THE CORPORATION RECEIVES AN

OPINION OF COUNSEL OR OTHER EVIDENCE SATISFACTORY TO THE CORPORATION TO THE EFFECT THAT SUCH REGISTRATION AND QUALIFICATION ARE NOT REQUIRED."

(c) Any other legends required to be placed thereon by federal or state securities laws or authorities.

SECTION 6.10 Termination of the Right of First Refusal. The Right of First Refusal described in this Article VI shall terminate if and when the Board of Directors or the Corporation's shareholders adopt an amendment to the Bylaws which deletes this Article VI from the Bylaws or which otherwise terminates the Right of First Refusal.

ARTICLE VII -- INDEMNIFICATION

SECTION 7.01 Indemnification of Directors. The Corporation shall, to the maximum extent permitted by applicable law but subject to the terms and conditions of any indemnification agreement that may be entered into between the director and the Corporation, indemnify each of its directors against expenses (as defined in Section 317(a) of the California Corporations Code), judgments, fines, settlements and other amounts actually and reasonably incurred by such director in connection with any proceeding (as defined in Section 317(a) of the California Corporations Code) arising by reason of the fact that such director (i) is or was a director of the Corporation, (ii) was a director of the Corporation's predecessor, Calavo Growers of California, a California nonprofit cooperative association, or (iii) is or was serving at the request of the Corporation as a director of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise. For purposes of this Article VII, a "director" includes any person who is or was a director of the Corporation.

SECTION 7.02 Indemnification of Officers, Employees and Other Agents. In addition to the indemnification that is required to be provided to directors of the Corporation under Section 7.01 of this Article, the Corporation shall have the power, to the extent and in the manner permitted by applicable law, to indemnify each of its officers, employees and other agents against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding arising by reason of the fact that such person is or was an officer, employee or other agent of the Corporation. For purposes of this Article VII, an "employee," "officer" or "agent" of the Corporation includes any person (i) who is or was an officer, employee or other agent of the Corporation, (ii) who is or was serving at the request of the Corporation as a director, officer, employee or other agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise, or (iii) who was an officer, employee or other agent of Calavo Growers of California or of another enterprise at the request of Calavo Growers of California.

SECTION 7.03 Advance of Expenses. Attorneys' fees and other expenses incurred in defending any proceeding may be advanced by the Corporation prior to the final disposition of such proceeding upon receipt of an undertaking by or on behalf of the indemnified party to repay such amounts if it shall ultimately be determined that the indemnified party is not entitled to be indemnified as authorized or provided by this Article VII.

SECTION 7.04 Indemnification Not Exclusive. The indemnification authorized or provided by this Article VII shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any Bylaw, agreement, vote of shareholders or directors or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office. The rights to indemnification hereunder shall continue as to a person who has ceased to be a director, officer, employee or other agent and shall inure to the benefit of the heirs, executors and administrators of such person.

SECTION 7.05 Insurance. The Corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or other agent of the Corporation against any liability asserted against or incurred by such person in such capacity or arising out of that

person's status as such, whether or not the Corporation would have the power to indemnify that person against such liability under the provisions of this Article VII.

SECTION 7.06 Conflicts. No indemnification or advance shall be made under this Article VII, except where such indemnification or advance is mandated by law or the order, judgment or decree of any court of competent jurisdiction, in any circumstance where it appears:

(a) That it would be inconsistent with a provision of the Corporation's Articles of Incorporation, these Bylaws, a resolution of the shareholders or an agreement in effect at the time of the accrual of the alleged cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid which prohibits or otherwise limits indemnification; or

(b) That it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

SECTION 7.07 Indemnification Agreements. Notwithstanding anything to the contrary in this Article VII, the Corporation is authorized to enter into a contract with any director, officer, employee or other agent of the Corporation (or with any person who is or was serving at the request of the Corporation as a director, officer, employee or other agent of another corporation, partnership, joint venture, trust or other enterprise, including employee benefit plans, or any person who was a director, officer, employee or agent of a corporation which was a predecessor corporation of the Corporation or of another enterprise at the request of such predecessor corporation) which provides for indemnification rights equivalent to or, if the Board of Directors so determines and to the extent permitted by applicable law, greater than those provided for in this Article VII.

SECTION 7.08 Amendment, Repeal or Modification. No amendment, repeal or modification of any provision of this Article VII shall adversely affect any right or protection of any director, officer, employee or other agent of the Corporation which exists at the time of such amendment, repeal or modification.

ARTICLE VIII -- AMENDMENTS

SECTION 8.01 Power of Shareholders. New Bylaws may be adopted or these Bylaws may be amended or repealed by the affirmative vote or written consent of a majority of the outstanding shares entitled to vote, except as may be specifically set forth in the Articles of Incorporation or these Bylaws to the contrary.

SECTION 8.02 Power of Directors. Subject to the right of the shareholders as provided in Section 8.01 of this Article to adopt, amend or repeal these Bylaws, Bylaws other than a Bylaw or amendment thereof changing the authorized number of directors may be adopted, amended or repealed by the affirmative vote of at least seventy-five percent (75%) of the authorized number of directors. The adoption of a resolution by the Board of Directors that fixes the exact number of directors within the authorized range of directors specified in Section 3.02 of these Bylaws shall not be considered an amendment of these Bylaws.

EXHIBIT 5.1

[Letterhead of Troy & Gould Professional Corporation]

_______________, 2001

Calavo Growers of California
Calavo Growers, Inc.
2530 Red Hill Avenue
Santa Ana, CA 92705

Re: Registration Statement on Form S-4 (Registration No. 333-)

Ladies and Gentlemen:

We have acted as counsel to Calavo Growers of California, a nonprofit cooperative association organized under the California Food and Agricultural Code ("Calavo"), and Calavo Growers, Inc., a California corporation ("New Calavo"), in connection with (i) a Registration Statement on Form S-4, Registration No. 333-______ (the "Registration Statement"), that was filed by New Calavo on April __, 2001 with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"), and (ii) an Agreement and Plan of Merger and Reorganization dated as of February 20, 2001 (the "Merger Agreement") between Calavo and New Calavo. Among other things, the Registration Statement and the Merger Agreement contemplate the issuance by New Calavo of up to 10,000,000 shares (the "Shares") of its common stock, $0.001 par value per share, in exchange for the outstanding shares of the preferred stock and common stock of Calavo upon the merger of Calavo into New Calavo. As used in this opinion, the term Registration Statement includes all amendments to the Registration Statement that have been filed by New Calavo with the Commission on or before the date hereof. This opinion is being given to you pursuant to your request.

As a basis for rendering our opinions expressed herein, we have reviewed originals or copies of originals, certified or otherwise identified to our satisfaction, of (i) the Registration Statement, (ii) the Merger Agreement, (iii) New Calavo's Articles of Incorporation and Bylaws, each as amended to date, (iv) resolutions of New Calavo's Board of Directors pertaining to the issuance of the Shares, the Registration Statement, the Merger Agreement and related matters, and (v) such other certificates of public officials, certificates of officers of Calavo and New Calavo and other documents as we have considered necessary or appropriate as a basis for rendering our opinions.

As to questions of fact relevant to our opinions expressed herein, we have relied (without any independent investigation or inquiry by us) upon certificates and statements of Calavo, New Calavo, officers of Calavo and New Calavo, public officials and others. Furthermore, in order to render our opinions, we have made and relied upon such customary assumptions as we have deemed necessary or appropriate. Among other things and in addition to any other assumptions that are described in this opinion, we have made and are relying upon the following assumptions, all without any investigation or inquiry by us:

A. All signatures on documents reviewed by us are genuine; all documents submitted to us as originals are authentic; and all documents submitted to us as copies conform to the originals of such documents, and such originals are authentic.

B. All factual representations and other statements regarding factual matters that are contained in the certificates of officers of Calavo and New Calavo that we have examined are true and correct, and all factual representations and other statements regarding factual matters by New Calavo or Calavo that are contained in the Registration Statement or the Merger Agreement are true and correct.

We have made such investigations of law as we have deemed necessary or appropriate as a basis for rendering the opinions expressed herein, although we have not examined any laws other than the laws of the State of California. Accordingly, we express no opinion with respect to the laws of any other jurisdiction, and we assume no responsibility with respect to the application or effect of the laws of any other jurisdiction.

This opinion is limited to the opinions expressly stated herein and does not include any implied opinions. The opinions expressed herein are rendered as of the date of this opinion. We do not undertake to advise you of matters that may come to our attention subsequent to the date hereof and that may affect the opinions expressed herein, including, without limitation, future changes in applicable law.

Based upon and subject to all of the foregoing and any and all other qualifications, limitations and assumptions that are set forth below, we are of the opinion that the Shares, when issued and delivered in accordance with the terms and conditions of the Registration Statement and the Merger Agreement, will be validly issued, fully paid and nonassessable.

We consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to our firm under the caption "Legal Matters" in the information statement/prospectus that forms part of the Registration Statement. By giving you this opinion and consent, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission promulgated thereunder.

Very truly yours,

TROY & GOULD
Professional Corporation

EXHIBIT 8.1

[Letterhead of Troy & Gould Professional Corporation]

____________, 2001

Calavo Growers of California
Calavo Growers, Inc.
2530 Red Hill Avenue
Santa Ana, CA 92705

Re: Merger - Material Federal Income Tax Consequences

Ladies and Gentlemen:

We have acted as counsel to Calavo Growers of California, a nonprofit cooperative association organized under the California Food and Agricultural Code ("Calavo"), and Calavo Growers, Inc., a California corporation ("New Calavo"), in connection with (i) a Registration Statement on Form S-4, Registration No. 333-______ (the "Registration Statement"), that was filed by New Calavo on April __, 2001 with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"), and (ii) an Agreement and Plan of Merger and Reorganization dated as of February 20, 2001 (the "Merger Agreement") between Calavo and New Calavo. Among other things, the Registration Statement and the Merger Agreement contemplate the issuance by New Calavo of up to 10,000,000 shares of its common stock in exchange for the outstanding shares of the preferred stock and common stock of Calavo upon the merger of Calavo into New Calavo (the "Merger"). As used in this opinion, the term Registration Statement includes all amendments to the Registration Statement that have been filed by New Calavo with the Commission on or before the date hereof. You have requested our opinion regarding the material federal income tax consequences of the Merger.

As a basis for rendering our opinions expressed herein, we have reviewed originals or copies of originals, certified or otherwise identified to our satisfaction, of (i) the Registration Statement, (ii) the Merger Agreement, and (iii) such other certificates of public officials, certificates of officers of Calavo and New Calavo and other documents as we have considered necessary or appropriate as a basis for rendering our opinions. As to questions of fact relevant to our opinions expressed herein, we have relied (without any independent investigation or inquiry by us) upon certificates and statements of Calavo, New Calavo, officers of Calavo and New Calavo, public officials and others.

In order to render our opinions, we have made and relied upon such customary assumptions as we have deemed necessary or appropriate. Among other things and in addition to any other assumptions that are described in this opinion, we have made and are relying upon the following assumptions, all without any investigation or inquiry by us:

A. All signatures on documents reviewed by us are genuine; all documents submitted to us as originals are authentic; and all documents submitted to us as copies conform to the originals of such documents, and such originals are authentic.

B. All factual representations and other statements regarding factual matters that are contained in the certificates of officers of Calavo and New Calavo that we have examined are true and correct, and all factual representations and other statements regarding factual matters by New Calavo or Calavo that are contained in the Registration Statement or the Merger Agreement are true and correct.

C. The Merger will be consummated in accordance with the terms and conditions of the Merger Agreement, which will not be modified in any respect prior to the consummation of the Merger. The Registration Statement accurately describes (i) the business, financial condition and capitalization of Calavo and New Calavo, (ii) the business purpose of the Merger, and (iii) all other material facts of the Merger.

As a basis for rendering the opinions expressed herein, we have considered and relied upon the applicable provisions of the Internal Revenue Code of 1986, as amended (the "CODE"), the Treasury regulations promulgated thereunder, published administrative rulings and judicial decisions and such other authorities as we have deemed appropriate. We express no opinion with respect to the laws of any jurisdiction other than the federal laws of the United States to the extent specifically set forth below, and we assume no responsibility with respect to the application or effect of the laws of any other jurisdiction.

This opinion is limited to the opinions expressly stated herein and does not include any implied opinions. Except as specifically set forth below, we express no opinion as to any federal, state, local or foreign tax consequences of the Merger or otherwise.

The opinions expressed herein are rendered as of the date hereof. We do not undertake to advise you of matters that may come to our attention subsequent to the date hereof and that may affect the opinions expressed herein, including, without limitation, future changes in applicable law. The statutory provisions, regulations, interpretations and other authorities on which we have based our opinions are subject to change, possibly with retroactive effect, and any material change which is made after the date hereof in any of such statutory provisions, regulations, interpretations or other authorities could affect the conclusions stated herein. In addition, there can be no assurance that positions contrary to our opinions expressed herein will not be taken by the Internal Revenue Service.

Based upon and subject to all of the foregoing and any and all other qualifications, limitations and assumptions that are set forth below, we are of the opinion that:

1. The Merger will qualify for non-recognition treatment under the Code, with the following federal income tax consequences:

(a) Neither Calavo nor New Calavo will recognize gain or loss in the Merger;

(b) No gain or loss will be recognized by holders of Calavo stock upon their receipt of New Calavo common stock in the Merger;

(c) The aggregate tax basis of the New Calavo common stock received in the Merger by the holders of Calavo stock will be the same as the aggregate tax basis of the Calavo stock exchanged therefor; and

(d) The holding period of the New Calavo common stock received in the Merger will include the period for which the Calavo stock surrendered in exchange therefor was held, provided that the Calavo stock was held as a capital asset at the time of the Merger.

2. The discussion that is set forth under the caption "The Conversion -- Material Federal Income Tax Consequences" in the information statement/prospectus (the "PROSPECTUS") that forms part of the Registration Statement is a correct description of the material federal income tax consequences of the Merger, subject to the qualifications and limitations described therein and in this opinion.

We consent to the filing of this opinion as an exhibit to the Registration Statement and to the references to our firm under the captions "The Conversion -- Material Federal Income Tax Consequences" and "Legal Matters" in the Prospectus. By giving you this opinion and consent, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission promulgated thereunder.

Very truly yours,

TROY & GOULD
Professional Corporation

EXHIBIT 10.1

CALAVO GROWERS, INC.

MARKETING AGREEMENT

GROWER'S NAME ____
GROWER'S ADDRESS ____
GROWER'S TAXPAYER I.D. NUMBER ____________________________________
GROWER'S ELECTION: ____ MONTHLY OR ____ WEEKLY POOL
EFFECTIVE DATE OF AGREEMENT ______________________________________
GROVE LOCATION ____
NUMBER OF TREES ____________

This Marketing Agreement (the "Agreement") is entered into by and between the above-named grower (the "Grower") and Calavo Growers, Inc. ("Calavo"), a California corporation whose address is 2530 Red Hill Avenue, Santa Ana, California 92705-5542. The effective date of this Agreement is specified above. However, if this Agreement is being executed by the parties prior to the merger of Calavo Growers of California, a California nonprofit cooperative association, into Calavo, the effective date of this Agreement will be the date on which the merger occurs. Calavo will advise the Grower of the date of the merger, and neither party will have any obligations under this Agreement until the merger occurs.

The Grower represents that it is the producer of California avocados. Calavo desires to pack and market these avocados. The following terms are hereby agreed upon by both parties:

1. Delivery

The Grower will deliver to Calavo all of the avocados grown by the Grower on the grove listed above and on all other land now or hereafter owned by the Grower or in the Grower's possession as tenant, except avocados that are retained for the Grower's personal use or consumption and except avocados of such varieties that Calavo notifies the Grower are not economical to handle because of the character, quantity or marketability of the fruit. Except as described in the preceding sentence, Calavo will market, when and where feasible, all of the avocados grown by the Grower.

Delivery of the avocados will be made at the Grower's expense and risk of loss and at the time and place and in the manner reasonably specified by the Grower, including, without limitation, through the Grower's right to require Calavo to obtain possession of the avocados at the Grower's grove. Title to the avocados will pass to Calavo only on the date that it obtains actual possession of the avocados.

Calavo has the right to inspect the Grower's groves for crop estimating and harvesting purposes during reasonable hours. The Grower will assist Calavo in preparing an annual crop forecast. Calavo has full control of grading, sizing and weight standards. The Grower will comply with all applicable laws and regulations regarding the production, harvesting and delivery of the avocados.

2. Term

The term of this Agreement will be for one year from the effective date and will automatically renew on a year-to-year basis unless either party gives written notice of termination of this Agreement at least thirty days prior to the applicable anniversary of the effective date. Calavo may also terminate this Agreement upon written notice to the Grower if the Grower is in breach of this Agreement and fails to correct the breach within ten days after receipt of written notice of the breach from Calavo. If the Grower engages in a bona fide sale or lease to a third party of the grove(s) that is subject to this Agreement, this Agreement will terminate as to such grove(s) on the effective date of the sale or lease if (i) the Grower provides Calavo with satisfactory written evidence of the bona fide nature of the sale or lease and (ii) all of the Grower's obligations hereunder have been satisfied prior to the sale or lease (including the obligation to deliver all avocados harvested prior to the sale or lease). Subject to the preceding sentence,

this Agreement is binding upon the successors and assigns of the Grower and Calavo, although neither party has the right to assign its obligations to another person or entity. No termination of this Agreement will release either party from liability for breaches of this Agreement, and the provisions described below in Sections 4 and 7 to 9 will survive the termination of this Agreement.

3. Marketing

Calavo will receive, pack, market and sell the avocados delivered by the Grower, at such prices and terms, in such form, and at such times as in its judgment and discretion it deems best, and will pay the Grower as payment in full the net proceeds received from the marketing of the avocados less a packing and marketing fee established by its Board of Directors. The packing and marketing fee will include, but is not limited to, the costs of receiving, processing, manufacturing, handling, transporting, advertising, promoting, and other costs of marketing and administrative costs, and will also include a profit to Calavo. The avocados may be pooled in one or more pools established by the Board of Directors and will not be identified to the Grower once they are graded. Packing and marketing of the avocados will be under the exclusive control of Calavo.

4. Liens

Calavo is hereby given a first lien upon all sales proceeds as security for any and all amounts of any nature owed by the Grower to Calavo, and Calavo may offset amounts due Calavo against amounts owed to the Grower under this Agreement. Such rights of Calavo will not be barred by the running of any statute of limitations, and such rights may be subordinated by appropriate written instructions when authorized by the Board of Directors in its sole discretion. The Grower will execute and deliver any documents requested by Calavo to implement or perfect its rights under this Agreement.

5. Labor

Calavo will have no control whatsoever over the labor relations policies or conduct or direction of labor relations of the Grower, nor will the Grower have any control over Calavo's labor policies.

6. Consignment

The Grower acknowledges that Calavo may reconsign the avocados to another party.

7. Notices; Entire Agreement; Severability

All notices to either the Grower or Calavo will be delivered in writing, either personally, by facsimile transmission or by registered, certified or express mail, return receipt requested, postage prepaid, to the address for such party specified above or to such other address as the party may from time to time advise the other party, and will be deemed given and received as of actual personal delivery, on the first business day after the date of delivery shown on any such facsimile transmission or upon the third business day after deposit in the U.S. Mail if registered, certified or express mail is used, as the case may be.

This Agreement constitutes the entire agreement of the Grower and Calavo regarding the subject matter hereof and supersedes all prior agreements and understandings pertaining to such subject matter. This Agreement may be amended only by a writing signed by the Grower and Calavo.

If any provision of this Agreement is determined by a duly appointed arbitrator or a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions of this Agreement shall continue in full force and effect.

8. Remedies for Grower's Breach

The Grower's failure to deliver avocados as required by this Agreement will result in injury to Calavo, and it would be extremely difficult and impracticable to fix the amount of damages that Calavo will incur. Therefore, the Grower agrees to pay to Calavo, upon Calavo's demand, the following amounts as liquidated

damages for all avocados that are withheld, delivered, sold, consigned or otherwise marketed by or for the Grower other than in accordance with the terms of this Agreement:

(a) $1,000; plus

(b) An amount equal to Calavo's packing and marketing fee per pound of avocados that is in effect as of the date of the Grower's breach of this Agreement, multiplied by the pounds of avocados that were withheld, delivered, sold, consigned or otherwise marketed by or for the Grower other than in accordance with the terms of this Agreement.

The foregoing right to recover liquidated damages is in addition to all other remedies available to Calavo under applicable law including, without limitation, the right to obtain injunctive relief, and all such remedies are cumulative and not exclusive.

9. Governing Law; Enforcement of Agreement

This Agreement is governed by the internal laws of the State of California. All disputes concerning this Agreement will be settled by arbitration, before one arbitrator, in accordance with the commercial arbitration rules of the American Arbitration Association then in effect. The arbitrator will be selected in accordance with such commercial arbitration rules. A party is entitled to initiate an arbitration proceeding if a dispute cannot be resolved amicably within ten days after the other party has been notified of the existence of the dispute. The arbitrator is authorized to grant injunctive relief and/or specific performance in addition to monetary relief. The arbitrator hereby is instructed to interpret and enforce this Agreement in accordance with its terms. All arbitration proceedings will be held in Los Angeles, California. Notwithstanding the foregoing, each party is entitled to bring an action for temporary or preliminary injunctive relief at any time in any court of competent jurisdiction in order to prevent immeasurable and irreparable injury that might result from a breach of this Agreement that occurs prior to the conclusion of an arbitration proceeding.

The award of the arbitrator in any arbitration proceeding will be final and may be enforced in any court of competent jurisdiction, and an action to compel arbitration may be brought in any court of competent jurisdiction. The unsuccessful party to any arbitration proceeding or to any court action that is permitted by this Agreement will pay to the successful party all costs and expenses, including, without limitation, reasonable attorneys' fees and the fees of the arbitrator, incurred therein by the successful party. EACH PARTY AGREES THAT ALL RIGHTS TO A TRIAL BY A JURY OF ANY CLAIM CONCERNING THIS AGREEMENT ARE ABSOLUTELY AND FOREVER WAIVED.

DATED: ________________________________ CALAVO GROWERS, INC.

By: ------------------------------

Title: ------------------------------

[Name of Grower]

By: ------------------------------

Title: ------------------------------

EXHIBIT 10.2

MARKETING AGREEMENT

This agreement made as of the first day of April, 1996 by and between TROPICAL HAWAIIAN PRODUCTS, INC., a Hawaiian corporation whose address is PO Box 210, Keaau, Hawaii, 96749 (hereinafter called "THP"), and CALAVO GROWERS OF CALIFORNIA, a California corporation, whose address is 15661 Red Hill Avenue, Tustin, California 92680 (hereinafter called "Calavo").

WHEREAS THP is engaged in the growing and packing of papaya in the Puna district of the Island of Hawaii,

WHEREAS Calavo is engaged in the receiving and packing of various food products and in marketing these products and certain processed food products in the United States of America and elsewhere, and

WHEREAS THP and Calavo desire to enter into a papaya marketing agreement (hereinafter "Agreement"), and Calavo desires to license THP to employ the Calavo trademark on papaya to be marketed by Calavo for THP hereunder.

NOW, THEREFORE, in consideration of the mutual promises, covenants and agreements herein contained, THP and Calavo agree as follows:

Article 1. APPOINTMENT. THP hereby appoints Calavo to be a non-exclusive marketer of its papaya in the territory set forth in Article 2 below, subject to the terms and conditions herein contained, and Calavo accepts such appointment. THP intends to market in the same market areas under its brand name and will not interfere with Calavo's customer base.

Article 2. TERRITORY. The territory covered by this Agreement is the continental United States of America, Canada and Europe.

Article 3. TERM. The term of this Agreement shall be for a period of five (5) years commencing on the first day of April, 1996 and shall continue on a year-to-year basis unless either party gives the other six (6) months prior written notice of its intention to terminate the Agreement. For purposes of this Agreement, the fiscal year shall be deemed to be from November 1 until October 31.

Article 4. PRICES AND TERMS.

4.1 QUANTITY. THP agrees to provide on consignment to Calavo a minimum sufficient to meet Calavo's marketing needs of its export grade production not sold in State of Hawaii from the Puna district of the Island of Hawaii, subject to the following paragraph, destined for the geographical marketing area defined in Article 2, above.

4.2 MARKETING. Calavo will use its best efforts to market such papaya at such prices and terms as are reasonably satisfactory and profitable to THP and shall return to THP the FOB Hilo price less Calavo's marketing commission pertaining thereto.

4.3 PRICE. For purposes of this Agreement, the FOB Hilo price is defined as the gross sales proceeds less the deduction for Calavo's actual costs, without markup, for transportation and, when necessary, warehousing, insurance, handling and palletization from the proceeds of papaya sold by Calavo on a basis other than FOB port of entry. Proceeds shall include any credits issued to customers by Calavo in compensation for unsatisfactory papaya. Calavo may use its warehouse facilities to store product in which case THP agrees to Calavo's billing rate as its "actual cost."

4.4 MARKETING COMMISSION. Calavo shall be entitled to deduct from the FOB Hilo price a marketing commission for that volume of THP papaya marketed by it under any label or brand controlled by THP or any label or brand owned or controlled by Calavo.

Article 5. PAYMENT AND YEAR-END ACCOUNTING

5.1 PAYMENTS. Calavo shall provide to THP a summary showing the distribution of all papaya sold including the port of entry, volume, sales price, distribution costs and such other information as required to carry out this Agreement. Payment to THP for the total net proceeds due THP for the reported period shall accompany the summary. Calavo shall make available to persons designated in writing by THP all records of Calavo which are used in the preparation of the monthly summary and payment to THP. Said records will be made available at least once each month at Calavo's principal place of business. Payment dates are shown on Exhibit A.

5.2 YEAR-END ACCOUNTING. At the end of each fiscal year, Calavo shall make available to THP a written final accounting of all THP papaya delivered to and marketed by Calavo, said accounting to include a physical inventory of all papaya in storage.

5.3 YEAR-END PAYMENTS. Any payments due either Calavo or THP pursuant to this Agreement shall be made not later than thirty (30) days following the completion of the annual audit of the fiscal year with respect to which such payments are due.

5.4 ADVANCES. Calavo will advance the estimated value, less deductions, of the unsold units made available to Calavo by the last Saturday of each calendar month. The advance will be recovered with the next settlement payment. If there are insufficient funds available to recover the advance amount, THP will refund the balance upon demand.

Interest will be deducted at the rate charged by CoBank to Calavo for its seasonal term loans for the applicable advance period. Interest charges will be for one calendar month.

The advance will be included in the regular monthly payment.

Article 6. RESTRICTIVE COVENANT. During the term of this Agreement, Calavo shall not engage in marketing or selling, directly or indirectly, of THP papaya in the state of Hawaii unless requested by THP in writing.

Article 7. CANCELLATION. either party may cancel this Agreement at any time and for any reason upon providing to the other party six (6) months prior written notice.

Article 8. RESPONSIBILITIES OF THP. THP shall be responsible for growing, preparation for market and delivery of papaya, loaded into containers or individual cases as specified by Calavo, to the air or ocean carrier. THP shall approve the design of, and be responsible for procurement of, packaging material. THP shall be responsible for all losses due to arrival of unsatisfactory fruit at Calavo's customers when such arrival results from the unsatisfactory condition of fruit on delivery.

Article 9. RESPONSIBILITIES OF CALAVO. Calavo shall be responsible for arranging for and payment of transportation from ports of entry to its mainland warehouse facilities to customers' addresses and for pricing schedules, invoicing of customers and collection of accounts receivable. Calavo shall be responsible for all bad debts arising from Calavo's sale of fresh papaya. Calavo shall be responsible for advertising, promotion and all other appropriate marketing functions and shall perform these with diligence. Calavo shall be the sole judge of the quality and quantity of these marketing functions, and no liability shall be incurred by THP in connection with any of these functions.

Article 10. DELIVERY, CUSTODY AND CONTROL. All papaya delivered by THP for sale will be produced, prepared and delivered in condition to meet quality standards reasonably satisfactory to Calavo. Such fruit as delivered will, moreover, be of such quality and condition as is necessary to satisfy federal food and drug laws and regulations, and any similar laws or regulations which may from time to time apply to the product delivered. No papaya delivered by THP to Calavo hereunder will, when delivered, be adulterated or misbranded within the meaning of the Federal Food, Drug and Cosmetic Act of 1938, as amended, and that such products will not be produced or delivered to Calavo in violation of Section 404 of said act. Fruit quality is a condition precedent for this Agreement.

Custody and control of papaya shall pass from THP to Calavo upon delivery to and receipt by the air or ocean carrier.

Article 11. MARKETING COOPERATION. The parties recognize that close cooperation is essential to the success of this Agreement and each shall accord to the other a high degree of cooperation in scheduling the production, handling and distribution of papaya marketed hereunder.

Calavo shall provide to THP, quarterly, an updated 12 month papaya sales projection. THP will use its best efforts to arrange its production schedules to meet these sales requirements. The parties shall work out between themselves an information system to provide THP with order data to enable THP to schedule its production activities efficiently. THP, in turn, will provide fiscal year projected production information to Calavo by month. In addition, THP will provide to Calavo updated production forecasts in a timely manner.

Article 12. EXCUSE OF PERFORMANCE. The performance of this Agreement on the parts of THP and Calavo shall be excused for any contingency beyond their control, similar or dissimilar to strikes, labor controversies, fires, war, acts of God or the elements, embargoes, governmental orders or restrictions as to the growing, sale or delivery of papaya, inability to secure transportation, strikes or lockouts or stoppage of work in the plants of THP or Calavo which prevent orderly operation, or inability for any other reason not due to gross negligence or misconduct of THP or Calavo to fulfill their respective performances under this Agreement. Said excuse of performance shall continue only for the duration of said contingency.

Article 13. TRADEMARK

13.1 LICENSE. All papaya marketed hereunder shall be marketed under the Calavo mark. Accordingly, Calavo grants to THP the right to use the trademark "Calavo" on, and only on, papaya delivered by THP to Calavo hereunder.

13.2 INSPECTION. THP will permit duly authorized representatives of Calavo to inspect the premises of THP where papaya are produced, processed and/or packaged at all reasonable times and upon advance written notice to THP. Further, THP shall, upon written request of Calavo, submit to Calavo or to its duly authorized representatives samples of papaya which it intends to deliver for sale under the trademark for the purpose of ascertaining or determining compliance with reasonable standards of quality established from time to time by Calavo.

13.3 USE OF TRADEMARK. THP shall not use the trademark in connection with papaya delivered and sold hereunder in a manner harmful to Calavo's ownership of the trademark. THP shall provide Calavo with samples of all literature, packages, labels and labeling prepared by THP and using Calavo's trademark, none of which shall be used without Calavo's prior consent. When using the trademark under this Agreement, THP shall undertake to comply substantially with all laws pertaining to trademarks in force in countries where the papaya is sold.

13.4 REGISTRATION OF LICENSE. If the law requires, Calavo shall make application to register THP as a Permitted User or Registered User of the trademark and, if necessary, THP shall undertake to join in such application and to execute and such documents as may be necessary to implement such application.

13.5 EXTENT OF LICENSE. The right granted in this Article 13 shall be nonexclusive and shall not be transferable without Calavo's prior written consent.

13.6 MAINTENANCE OF TRADEMARK. Calavo will use its best efforts to register and maintain, or cause to be registered and maintained, the trademark to enable THP's papaya to be distributed and sold under the trademark as provided herein.

13.7 TERMINATION. Upon termination of this Agreement (regardless of how terminated), all rights of THP with respect to the Calavo trademark shall thereby immediately terminate. THP shall execute such documents and shall take such actions as Calavo may reasonable require to confirm the termination of THP's interest in said trademark.

Article 14. INSURANCE. Each party shall obtain and keep in effect product liability insurance naming the other party as additional insured which covers liabilities arising from the growing, packaging, marketing and selling of papaya with liability limits of not less than one million dollars ($1,000,000.00).

Article 15. INDEMNIFICATION. Except as otherwise provided herein, THP and Calavo each will indemnify, defend and hold the other harmless from any and all claims, actions, damages, liabilities, costs and expenses, including reasonable attorneys' fees and expenses, arising out of the performance of their respective obligations under this Agreement.

Article 16. IMMEDIATE TERMINATION. In the event of the filing of a petition by or against either party for its adjudication as a bankrupt or for any reorganization or arrangement of the party under any bankruptcy, insolvency or similar law, which within thirty (30) days of the filing thereof has not been dismissed, or any assignment made for the benefit of either party's creditors, this Agreement shall immediately become void and unenforceable, and no further rights or liabilities shall accrue to either party hereunder.

Article 17. SUCCESSORS AND ASSIGNS. This Agreement shall be binding on the successors and assigns of either party, but shall not be assigned by either party hereto without the prior written consent of the other party.

Article 18. MODIFICATION. No termination hereof or modification or waiver of any of the provisions herein contained, or any future representations, promises or conditions in connection with the subject matter hereof, shall be binding upon either THP or Calavo unless made in writing and signed on the parties' behalf by their duly authorized representatives.

Article 19. ARBITRATION. Any dispute under this Agreement shall be settled by arbitration in Los Angeles, California pursuant to the rules, then prevailing, of the American Arbitration Association.

Article 20. CONSTRUCTION AND INTERPRETATION. This Agreement shall be governed by and interpreted and construed in accordance with the laws of and applicable to the State of California.

Article 21. NOTICE. All notices required of THP or Calavo shall be sent by mail to the parties' above-listed addresses.

Article 22. INTEGRATION AND EFFECT. this Agreement represent and integrates all of the terms and conditions and representations made by either party and supersedes any other contract heretofore entered into or discussed by the parties hereto.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

TROPICAL HAWAIIAN PRODUCTS, INC. FEDERAL ID # 77-0272980	CALAVO GROWERS OF CALIFORNIA FEDERAL ID # 95-0591900
By /s/ LECIL E. COLE	By /s/ ALLEN J. VANGELOS
Date 4-8-96	Date 4/9/96
	By /s/ EGIDIO CARBONE
	Date 4/9/96

MARKETING AGREEMENT BETWEEN CALAVO AND THP

EXHIBIT A

DETAIL:

1. Payment shall be by wire transfer to THP's bank account as follows:

a. Sales from the first day of the month to the last day of the month, payment will be made no later than ten (10) days after cut off.

Account Number ------------------------------

Bank Name ------------------------------

Bank Address ---------------------------

ABA Number ----------------------------

2. Payment for all Calavo marketed fruit will be made as follows:

a. Customer Invoiced Amount (C & F)

b. Less: Freight and Charges to Port of Entry or Customer

c. Less: Cooling/Conditioning Charge @ 30 cents/Box

d. Equals: FOB Hilo

e. Less: Commission @ 10% (FOB Hilo)

f. Net Due to THP

g. Plus: Cooling/Conditioning Charge

h. Less: Repacking, Inspection, Etc. Fees Incurred

i. Gross Proceeds to THP

3. Rebate from United Airlines based upon volume discount will be paid to THP when the credit is utilized less 10% commission based on detail supplied by carrier. Travel credits will be used 60% THP, 40% Calavo; it is understood and agreed that all travel credit used by Calavo will be for the promotion of papayas. THP will deliver sufficient volumes to qualify for "minimum guarantees" as detailed in United Airlines Cargo Agreement.

4. THP will reimburse Calavo for all advertising and promotion expenses. THP will approve all programs by the first of each quarter. Calavo will deduct the cost from each settlement and deliver supporting documentation with each deduction.

EXHIBIT 10.3

LEASE AGREEMENT ENTERED INTO BY AND BETWEEN TEDE S.A. DE C.V., (HEREINAFTER REFERRED TO AS "TEDE"), HEREIN REPRESENTED BY MR. MARIO TERAN DEL RIO, AND BY CALAVO FOODS DE MEXICO, S.A. DE C.V. (HEREINAFTER REFERRED TO AS THE "COMPANY"), HEREIN REPRESENTED BY MR. EVERETT J. TAYLOR, PURSUANT TO THE FOLLOWING RECITALS AND CLAUSES:

RECITALS:

I. - TEDE hereby declares that:

A. It is a company organized and existing under the Mexican General Corporation Law, as per Public Instrument No. 22,582, executed before attorney LIC. GONZALO GONZALEZ ALVAREZ, Public Notary No. 6 of the city of Mexicali, Baja California, Mexico, having its corporate object the development and operation of an industrial Park in the city of Mexicali, Baja California, Mexico.

B. MR. MARIO TERAN DEL RIO is its attorney-in-fact, as it appears in Public Instrument No. 22,582/Vol.262, executed before attorney GONZALO GONZALEZ ALVAREZ, Public Notary No. 6 of the city of Mexicali, Baja California, Mexico.

C. TEDE'S registration number at the Federal Registry of Taxpayers is: TED-781027-R72.

D. The address at which it has its principal place of business is: CARRETERA UNION MARAN #1001, PARQUE INDUSTRIAL MARAN, MEXICALI, BAJA CALIFORNIA, MEXICO.

E. TEDE has established an Industrial Development, hereinafter referred to as the Maran Industrial Park, as more specifically shown and illustrated on in Exhibit "A", which is attached hereto and made a part hereof.

F. The parties desire to enter into a Lease of part of lot number 9, located in the Industrial Park and of certain Improvements that will be constructed on the land. The land and the Improvements together shall hereinafter be referred to as the Leased Property as shown in block diagram referred to as Exhibit "B", which is attached hereto and made a part hereof. TEDE also states that there are no existing liens other than non-delinquent taxes or existing mortgages.

G. That it has previously applied for and obtained financial loans through Mexican and Foreign Banking and Lending Institutions, with which funds, building and Improvements located in the Industrial Park, were constructed.

H. That TEDE is authorized to use the land described on Recital I.F., and is duly authorized by its owner, Maran de Mexicali, S.A. de C.V., from which Mario Teran del Rio is the President and attorney-in-fact as it appears in Public Instrument No. 12,578/Vol. 198, executed before attorney GONZALO GONZALEZ ALVAREZ, Public Notary No. 6 of the city of Mexicali, Baja California, Mexico, and has the right to use the property without obtaining consent of another party.

II.--COMPANY hereby declares that:

A. It is a company organized under the Mexican General Corporation Law as per Public Instrument No. 29,034 executed on 26-09, 1994 before attorney F. Diaz Ceballos Notary Public No. 4 of the city of Mexicali, Baja California, Mexico.

B. Mr. Everett Jerome Taylor verifies his capacity as attorney in-fact of COMPANY as per Public Instrument No. 29,034 executed on 26-09, 1994 before attorney F. Diaz Ceballos, Notary Public No. 4 of the city of Mexicali, Baja California, Mexico.

C. COMPANY'S registration number at the Federal Registry of Taxpayers is: CFM-940926-K48.

D. The address at which it has its principal place of business is: CALLE ELECTRA #1099, PARQUE INDUSTRIAL MARAN, MEXICALI, B.C., Mexico.

E. That it wishes to enter into a Lease Agreement on the Land and Improvements described on Recital I.F. described herein above. The land area is 103,983.79 FT(SQUARED) (ONE HUNDRED AND THREE THOUSAND NINE HUNDRED AND EIGHTY THREE POINT SEVENTY NINE SQUARE FEET). The covered area is 53,311 FT(SQUARED) (FIFTY THREE THOUSAND THREE HUNDRED AND ELEVEN SQUARE FEET), including 3,000 FT(SQUARED) (THREE THOUSAND SQUARE FEET) OF MAIN OFFICE/LUNCHROOM/RESTROOM AREAS. The Lessee agrees to the layout and distribution illustration described and shown on building layout labeled Exhibit "C", which forms an integral part of this Lease Agreement.

F. TEDE hereby authorizes COMPANY, to partially occupy the Leased Property as of November 15, 1994, without this implying acceptance of Improvements, so that COMPANY may initiate installation of its equipment in the Leased Property, and also obligates to have the Leased Property and Improvements operational by December 15, 1994.

CLAUSES:

I. SCOPE OF LEASE AGREEMENT.

On the express terms and conditions set forth hereinafter, the scope of this Lease Agreement is as follows: TEDE hereby Leases to COMPANY and COMPANY hereby Leases from TEDE the land in the Industrial Park as described on Exhibit "B", which is attached hereto and made a part hereof, and the Improvements as more specifically described hereinafter in this Lease Agreement, as shown on Exhibit "D" of this Contract.

II. CONSTRUCTION BY TEDE.

A. TEDE will construct on the Land, at TEDE'S sole expense, in good and workmanlike manner, certain Improvements which shall hereinafter be referred to as the Improvements. Said

Improvements will be made in accordance with plans and specifications which have been mutually approved by TEDE and COMPANY and such approval is hereby acknowledged by the parties, as shown on Exhibits C & D.

TEDE shall deliver the premises complete and ready for occupancy 55 (Fifty five days) working days (excluding acts of God) after the signing of this lease Agreement, pursuant with recital II.F. and free of any construction related liens.

B. TEDE will perform all construction with respect to the Improvements in accordance with all laws, ordinances, regulations, and orders of governmental authorities, and Industrial Park Regulations which are attached hereto as Exhibit "E".

C. TEDE has constructed and installed Improvements serving the Leased Property, including street pavements, curbs and gutters, street lighting & utilities, including sanitary sewers, storm drainage, electricity, telephone and water services within the streets or adjacent to the Leased Property, pursuant to the Building plans and all requirements of the competent governmental agency that has jurisdiction over the Leased Property.

III. INSTALLATIONS BY COMPANY.

A. COMPANY may, at its expense, install on the Leased Property, such trade fixtures, equipment and furniture as it may deem necessary, provided that such items are installed and are removable without damage to the structural integrity of the Improvements. Said trade fixtures, equipment and furniture shall remain the COMPANY'S property and, unless COMPANY is in default hereunder, shall be removed by COMPANY upon expiration of the term hereof, or earlier termination of this lease. COMPANY may also install temporary Improvements in the interior of the Improvements upon the Leased Property, provided that such Improvements are installed and are removable without damage to the structure of the building. Such Improvements shall remain the property of the COMPANY and, unless COMPANY is in default hereunder, shall be removed by COMPANY upon expiration of the term hereof or earlier termination of this Lease. COMPANY shall repair, at its sole expense, all damage caused by the installation or removal of trade fixtures, equipment, furniture or temporary Improvements.

B. COMPANY shall perform all installations in accordance with all laws, ordinances, regulations, order of governmental authorities, and the Industrial Park Regulations which are attached hereto as Exhibit "E".

IV. LEASE TERM AND COMMENCEMENT DATE.

A. Lease Agreement. This Lease Agreement shall be effective from the date of execution hereof until the same is terminated as provided hereinafter.

B. Term. The term of this Lease shall commence upon TEDE'S completion of the Improvements listed on Exhibits C & D, with compliance with all necessary governmental approval for occupation and COMPANY'S receipt of such Improvements and the Leased Property, said term

shall end on the first full "Lease Term" (as said term is hereinafter defined). In the event TEDE does not deliver the improvements and impairs the COMPANY'S operation and/or installation of the equipment, on or before December 15, 1994, then COMPANY may terminate this lease agreement.

C. Term. The term "Lease Term" as used herein shall mean a period of ten (10) consecutive years, obligatory for both parties. The first Lease Term shall begin on the date of commencement of the term hereof, provided that the date of commencement of such term shall occur on the first day of a calendar month; if this is not the case, then the first Lease Term shall commence upon the first day of the immediately succeeding calendar month, following the date of commencement of such term.

In the case of a succeeding Lease Term, if any, it shall commence on the anniversary date of the first Lease Term. The COMPANY shall have the right to terminate this agreement at the end of the fifth year, by means of presenting TEDE a written notice no less than 6 month previous to the end of the 60th (sixtieth) month and no later than the start of the 61st month. Furthermore, if the first early termination option is not exercised, then the COMPANY shall have a second option to terminate that must be exercised by presenting a written notice to TEDE no less than 90 days prior to the end of the 96th month and no later than the start of the 97 month.

V. RENT.

A. Lease. As initial monthly base rent for the Lease of the Land and the Improvements during the Lease Term, COMPANY shall pay to TEDE at the address of TEDE stated above, the monthly sum of $21,846.84 (TWENTY ONE THOUSAND EIGHT HUNDRED FORTY SIX DOLLARS AND 84 CENTS U.S.CY.). The rent shall be paid during the first 3 (three) days of each calendar month. Any payment made after this period will be subject to remedies available to TEDE as described in clause XIX.2.

1. The base rent shall be adjusted on the third year, using the cumulative increment in the Consumer Price Index for all Urban consumers (National index) from the first two years of the Lease Term. After this first adjustment, the rent shall be adjusted annually at the start of each succeeding Lease Year (4th year), using the cumulative increment for the previous year from which the adjustment is made.

B. COMPANY will pay the rent provided for in the above paragraph "A", in pesos, Mexican Currency, at the rate of exchange in the free foreign market on the date such sums are due and payable, or in U.S. Dollars. TEDE'S option must be in compliance with Mexico's laws of Foreign Exchange.

The foregoing will not be considered to impede or hinder TEDE'S possibilities and rights under Clause XII (Twelve) to negotiate or assign this agreement to Mexican, United States or other Foreign Banking or Lending Institutions.

C. Building Expansion. If the building is expanded during the initial term of the Lease Agreement, the following additional charge will be made on top of the monthly rent stated on Clause V.A. of this Lease Agreement: As additional monthly rent for the Expansion of the building during the initial Lease Term, COMPANY shall pay to TEDE at the address of TEDE stated above, the additional rent equivalent for the then current lease rate per square foot of covered area per month, at the time that the expansion is completed. The lease rate will be applicable only to the improvements made by TEDE in addition to the original improvements described on exhibit D.

D. Liquidated Damages. In the event this Lease Agreement is terminated by TEDE due to a default of COMPANY prior to or during the first (1st) six (6) months of the Lease Term, TEDE shall be entitled to keep and retain as liquidated damages, all sums paid or deposited by COMPANY, as prepaid rent or as a security deposit, in addition to any other rights of TEDE as provided for herein.

E. Setoff. The payment of any rent due under this Lease, shall not be withheld or reduced for any reason whatsoever, except as provided for herein, and COMPANY agrees to assert any claim, demand, or other right against TEDE only by an independent proceeding, except as provided for herein.

F. Option to renew. TEDE hereby grants to COMPANY an option to renew the term of this lease for two additional periods (Option terms) of 5 (Five) years each. Each option term will be binding for TEDE and optional for COMPANY. Once COMPANY exercises option to renew, the 5 (five) year option term will be obligatory for both parties. Each option to renew for an additional 5 (five) years may be exercised by COMPANY by giving written notice at least ninety (90) days prior to the end of the first Lease Term, or any extension thereof that may be granted by TEDE.

G. Advanced termination of Lease Term. In the event that COMPANY is prevented from using the Leased Property, as provided herein, as a consequence of any act of the United States or Mexican authorities, be it administrative, executive or judicial, which results in the appropriation, forcible purchase, or surrender in any manner of the assets of COMPANY, or may otherwise result in the prevention of CALAVO FOODS INC. or COMPANY of doing business in Mexico, or subject to significantly increased costs, not due to CALAVO FOODS INC., or COMPANY'S fault, including taxes of operating or doing business in Mexico, imposed by either the United States or Mexican government, then, and in such event, COMPANY shall have the right to give TEDE notice of termination of this Lease. Said notice must be issued and delivered to TEDE no less than 2 months in advance to the vacancy of the premises. COMPANY may also give such notice of termination of this Lease in the event that, due to negligence, wrongful or unlawful acts of TEDE, COMPANY is prevented from the quiet, peaceful and interrupted enjoyment of the Leased Property. This clause shall be effective after the end of the 5th (Fifth) consecutive Lease Year.

VI. USE.

The Leased Property shall be used and occupied for any lawful industrial purpose, including the

processing of avocado or other food products, not in violation of the Industrial Park Regulations attached hereto as Exhibit "E", such processing activity is not in violation of the Industrial Park regulations, or any other contractual restrictions. COMPANY shall promptly and adequately comply with all laws, regulations, ordinances and orders of all governmental authorities affecting the Leased Property, and its cleanliness, safety, hygiene and labor facilities applicable to the COMPANY'S use of the Leased Property, including and specially those of a sanitary and environmental nature. COMPANY shall not perform or omit any actions that may damage the Leased Property (ordinary wear and tear accepted), or be a nuisance, or menace to the other occupants of the Industrial Park.

COMPANY shall be exclusively liable for any and all damages, fines or other costs originated by its failure to abide by the above referred provisions. COMPANY receives the Leased Property free of any pollutants or contamination in the soil or its improvements and in the same conditions shall deliver it back to TEDE upon termination hereof. COMPANY shall take all clean-up actions and be liable for all costs incurred thereof. This clause shall survive termination of this agreement.

VII. INSURANCE

A. Fire and other Insurance. During the Lease Term, COMPANY, at its sole expense, shall obtain and maintain in full force an insurance policy covering the greater amount of either N$3,875,000 New Pesos Mexican Currency (THREE MILLION EIGHT HUNDRED AND SEVENTY FIVE THOUSAND NEW PESOS) or $1,250,000 U.S. Dollars (ONE MILLION TWO HUNDRED AND FIFTY THOUSAND DOLLARS U.S. Cy), as insurance for fire, lightning, falling aircraft, smoke, windstorm, earthquake, hail, vehicle damage, volcanic eruption, strikes, civil commotion, vandalism, riots, malicious mischief, and flood insurance, on the Leased Property. The insurance amount shall be adjusted annually by TEDE, to reflect changes in the property values, and the insurance policy coverage must be modified accordingly by the COMPANY. TEDE shall be named the COMPANY'S beneficiary on this policy.

B. Comprehensive Liability Insurance. During the Lease Term, COMPANY shall, at its own expense, obtain and maintain in full force a policy of comprehensive liability insurance including property damage, that insures both COMPANY and TEDE (and such other agents and employees of TEDE, TEDE'S subsidiaries or affiliates, or TEDE'S assignees or any nominee of TEDE holding any interest in the Leased Property, including without limitation, the holders of any mortgage encumbering the Leased Property) against liability for injury to persons and property and for death of any persons occurring in or about the Leased Property.

The liability insurance shall be in the amount of no less than $1,000,000 U.S. dollars (ONE MILLION DOLLARS U.S. Cy.), or its equivalent in Mexican Currency.

C. Business Interruption and other insurance. COMPANY shall also obtain and maintain annual Business Interruption insurance in the amount of the annual rent provided for herein in favor of TEDE. COMPANY shall be responsible for maintaining insurance on all of COMPANY'S own property. Except for insurance upon COMPANY'S property, TEDE or its appointee shall be

named the COMPANY'S beneficiary of any and all proceeds from any and such policy or policies, as TEDE'S interest may be.

D. Form and Delivery of Policies. Each insurance policy referred to in the preceding paragraphs shall be in a form approved by the Department of Finance and Public Credit and written with one or more companies licensed to exercise insurance in Mexicali, Baja California, Mexico, and the policies shall provide that it shall not be subject to cancellation or change, except after at least 30 (Thirty) days prior notice to TEDE. The policies, or duly executed certificates for them, together with copies of receipts for payment of the premiums thereof, shall be delivered to TEDE prior to the Commencement Date of the Lease Term, as provided in Clause IV hereof.

All documents verifying the renewal of such policies shall be delivered to TEDE at least 30 (Thirty) days prior to the expiration of the term of such coverage. Prior to the Commencement Date of the Lease Term, each party shall procure and maintain such insurance covering its own liability and property as each deems appropriate.

E. Both parties mutually release the other from, and waive subrogation with respect to responsibility due to damage or loss of their respective properties, which damages or losses are covered by the insurance policies herein above described, regardless if the amount of insurance is not sufficient to cover the losses, provided that the policy then in effect, complied with the requirements listed on Clause VII.A. of this Lease Agreement.

VII. TAXES AND ASSESSMENTS.

Property taxes are paid by TEDE and with the exception of the income tax and asset tax imposed on TEDE, which shall be borne by TEDE, COMPANY shall pay all taxes and assessments of every kind which are or may be levied at any time during the Lease Term against the Leased Property, the Lease Agreement or the COMPANY, including but not limited to, Value Added Tax (IVA), gross sales tax and all such taxes and assessments, levied by any federal, state or municipal government, or any other governmental authority.

All such taxes and assessments shall be paid by the COMPANY, and receipt showing the payment of such taxes and assessments delivered to TEDE at least ten (10) days before such taxes and assessments become delinquent.

COMPANY also agrees to pay all taxes and assessments of every kind levied upon any and all personal property of COMPANY, its successors and assigns, whether same shall be or may become alien upon the Leased Property. All such taxes and assessments shall be paid by COMPANY before the same become delinquent. In the event that this contract is recorded at the Public Registry of Property, the COMPANY shall pay all costs of such recordation, including, but not limited to, notary fees, charges, and taxes required in connection therewith.

IX. WARRANTY, REPAIRS, ALTERATIONS AND IMPROVEMENTS.

A. TEDE,

1. If, at any time during the term of the initial Lease, or extension thereof, after receipt of written notice from COMPANY, TEDE at its expense, shall with minimum interference with COMPANY'S normal use of the Leased Property, diligently proceed to repair any structural defects or manufacturing defect in the roof or exterior bearing walls, foundations and production area floor drains, including normal use, wear and damage.

TEDE shall not be liable for any damages, and shall not be obligated to make any repairs, caused by any negligent act or omissions of COMPANY, its employees, agents, invitees, or contractors. TEDE shall have no other obligation to maintain or repair any other portion of the Leased Property. TEDE shall not be liable to COMPANY for any damage resulting from TEDE'S failure to make any repairs, unless COMPANY has notified TEDE of the need for such repairs, and TEDE has failed to commence such repairs within five (5) working days after said notice has been given and failed to complete the same in a diligent manner.

2. If TEDE fails to make the repairs described in Clause IX, "A", COMPANY may, but shall not be required to, make or cause such repairs, to be made, and TEDE shall, on demand, immediately pay to the COMPANY the actual cost of the repair, or at COMPANY'S option, it may deduct from the due rent the cost of such repairs, upon presenting to TEDE a receipt of such expenses. COMPANY may exercise this option, provided that TEDE has not reimbursed COMPANY the above referred cost within 10 (ten) calendar days.

B. COMPANY,

1. COMPANY, at its expense, shall keep and maintain in good order and repair, except for normal use and wear, all of the Leased Property, except for those obligations of TEDE stated in paragraph "A", 1, of this Clause including but not limited to, all plumbing, sewage and other utility facilities that are within the Leased Property, as well as fixtures, partitions, walls (interior and exterior, including painting as often as necessary), floors, ceilings, sinks, all air conditioning, cooling, heating and similar equipment or systems, doors, windows, plate glass and all other repairs of every kind and character to the Leased Property. COMPANY at its expense, shall repair all leaks except those caused by structural or manufacturing defects. The plumbing facilities shall not be used for any purpose other than that for which they were constructed. The expense of any breakage, stoppage or damage resulting from a violation of this provision, shall be paid by the COMPANY.

COMPANY shall store all trash only temporarily within the Leased Property, and shall arrange for the regular pickup of trash at COMPANY'S expense. COMPANY shall not burn any trash of any kind in or about the Leased Property or the Industrial Park.

2. COMPANY shall have the right at its discretion, to make alterations and improvements to the Leased Property, in the understanding that prior written consent of TEDE will be required if the proposed improvement or alteration exceeds a cost of US$10,000 Dollars or if it affects the structural integrity of the Leased Property.

The installation of outside metal sheds or coverings is strictly prohibited, unless written authorization is granted by TEDE.

3. COMPANY shall keep the Leased Property free and clear of all encumbrances and liens arising out of acts or omissions of COMPANY including those arising out of construction done or ordered by COMPANY. However, if by reason of any work performed, materials furnished or obligations incurred by COMPANY with any third party, or any other act or omission by COMPANY, TEDE is made liable or involved in litigation, COMPANY shall hold harmless and indemnify TEDE including any cost and expenses, and reasonable attorney's fees incurred by reason thereof. Should COMPANY fail fully to discharge any such encumbrances of liens within thirty (30) days after the date it has been instituted or fail to provide a bond acceptable to TEDE in the event of a contest, TEDE, at its option, may pay all or any part thereof. If TEDE pays any such lien or encumbrances or any part thereof, COMPANY shall, on demand, immediately pay TEDE the amount so paid, together with interest at the rate of twenty (20%) percent per annum from the date of payment.

No lien or encumbrance of any character whatsoever created by an act or omission by COMPANY shall in any way attach or affect the rights of TEDE on the Leased Property.

X. UTILITY SERVICES.

During the term of this Lease Agreement, COMPANY shall promptly pay for any and all public and other utilities and related services furnished to the Leased Property, including but not limited to water, gas, electricity and telephone charges.

XI. RIGHT-OF-WAY.

TEDE is hereby granted a right-of-way upon, without undue interference to the COMPANY'S operation and prior 24-hr notice, where possible, over and under the Leased Property for ingress, egress, installations, replacing, repairing and maintaining all utilities, including but not limited to water, gas, telephones and all electricity and any television or radio antenna system serving the Leased Property. By virtue of this right-of-way it shall be expressly permissible for providing the electrical and/or telephone company to erect and maintain the necessary poles and other required equipment on the Leased Property; provided that in exercising any right TEDE may have under this Clause.

XII. ASSIGNMENT AND SUBLETTING.

A. COMPANY shall have the right, upon prior written consent of TEDE, to use or transfer this Lease Agreement or any interest therein or permit the use of the Leased Property by any individual, corporation or entity. COMPANY also has the right to Sublease all or part of the Leased Property, provided, however, that in the event of any such assignment, transfer or Sublease, COMPANY shall remain fully liable for all of its obligations under this Lease

Agreement. Subleasing will not constitute a waiver for the COMPANY to the rights and obligations acquired in this Lease Agreement. Any profits made by the COMPANY, while subletting, will be retained by COMPANY.

B. TEDE shall have the right to assign and reassign, from time to time, any or all of the rights and obligations of TEDE in this Lease Agreement or any interest therein, without COMPANY'S consent, provided that no such assignment or reassignment shall impair any of the rights of COMPANY herein and provided further that TEDE shall remain liable for all of its obligations under this Lease Agreement. In the event of such assignment or reassignment, COMPANY shall not diminish or withhold, unless otherwise agreed upon herein, any of the rents payable hereunder by asserting claims against such assignee, any defense, setoff, or counter claims which COMPANY may have against TEDE or any of its affiliates.

XIII. SUBORDINATION.

During the term of this Lease Agreement, TEDE shall have the right to encumber its interest in the Leased Property or in this Lease Agreement for any purpose it deems convenient and COMPANY shall and hereby does subordinate its interest in this Lease Agreement and in the Leased Property to such encumbrance. However, in the event such encumbrance is foreclosed or judicially enforced, the one who holds the encumbrance shall agree to respect this Lease Agreement and accept the performance by COMPANY of its obligations hereunder.

COMPANY shall execute any agreement which may be required by TEDE in confirmation of such subordination and submit whatever public financial data may normally be requested by any trust, insurance company, bank or other recognized lending institution.

Once that TEDE shall have notified COMPANY in writing that the former has assigned its interest in this Lease Agreement to any lending institution as security for a debt or other obligation of TEDE, TEDE shall not have the power to amend this Lease Agreement so as to reduce the rent, decrease the term or modify or negate any substantial obligation without the written consent of such lending institution. Such obligation shall continue until the lending institution shall have notified COMPANY in writing that such assignment has been terminated, on the understanding that if TEDE fails to obtain such lending institution's approval to carry out the foregoing, the amendment of the term above mentioned shall have no effect whatsoever against such lending institution.

In addition, if the lending institution notifies the COMPANY in writing requiring the payment of rents hereunder directly to such lending institution or its representative, then COMPANY shall be obligated to pay to such lending institution or its representative each subsequent monthly rental coming due under this Lease Agreement (together with any unpaid rent then past due), until the date on which such lending institution notifies COMPANY authorizing payment of rent to TEDE or other party entitled thereto.

COMPANY understands and agrees that except for the security deposit mentioned in Clause

XXVII of this Lease Agreement, TEDE may not collect any rent more than one (1) month in advance and COMPANY, at the request of TEDE shall provide a statement that no such advanced payment has been made, such document shall be binding upon COMPANY as against the lending institution to which this Lease Agreement may be assigned. In addition, the lending institution shall not be bound to recognize those payments made to TEDE after the COMPANY has received notice requiring payments to be made to such lending institution.

XIV. ACCESS TO LEASED PROPERTY.

Without undue interference to COMPANY's operation, TEDE or its authorized representative shall have the right to enter the Leased Property during all COMPANY business hours and in emergencies at all times, to inspect the Leased Property and to make repairs, additions or alterations to the Leased Property during all COMPANY's business hours. For a period commencing ninety (90) days prior to the termination of this Lease Agreement or any extension thereof, TEDE shall have access to the Leased Property during all COMPANY business hours for the purpose of exhibiting it to prospective clients and may post usual for sale or for lease signs upon the Leased Property. Except in case of emergency, TEDE shall give notice to COMPANY before entering the Leased Property and COMPANY shall have the right to accompany any representatives of TEDE and prospective clients. TEDE herein states and obligates itself to not divulge or reveal to third parties any proprietary information of COMPANY or industrial process used by COMPANY.

XV. DAMAGE OR DESTRUCTION.

A. Total. In the event that whole or a substantial part of the Leased Property be damaged or destroyed by fire, act of nature or any other cause, so as to make COMPANY unable to continue the operation of its business, TEDE, shall, within 10 (ten) calendar days from such destruction, determine whether the Leased Property can be restored within 3 (three) months and notify COMPANY of said determination. If TEDE determines that the Leased Property cannot be restored within 3 (Three) months, either TEDE or COMPANY shall have the right and option to immediately terminate this Lease Agreement, by advising the other thereof by written notice. If TEDE determines that the Leased Property can be restored within said 3 (Three) months, TEDE shall, at its own expense, proceed diligently to reconstruct TEDE's Improvements and in such event, TEDE shall accept in lieu of rent during the period when COMPANY is substantially deprived of the use of the Leased Property, any rental insurance proceeds which may be payable pursuant to rental insurance provided for herein above.

B. Partial. In the event of partial damage caused to the Leased Property, TEDE shall repair the Leased Property. During the period required for such repair work of TEDE's Improvements, the rental payable hereunder by COMPANY shall be equitably prorated to the interferences with COMPANY's use and possession of the Leased Property occasioned by such damage and repair. All of the determinations made by TEDE under this clause shall be reasonably made and in good faith.

XVI. LIMITATION OF LIABILITY.

Except for intentional or negligent acts or omissions of TEDE, its agents or employees, TEDE shall not be liable to COMPANY or to any other person whatsoever for any loss or damage of any kind or nature caused by the intentional or negligent acts or omissions of COMPANY or other occupants of the Industrial Park or of adjacent property, or the public, or other causes beyond the control of TEDE, including but not limited to failure to furnish or any interruption of any utility or other services in or about the Leased Property.

COMPANY recognizes that additions, replacements and repairs to the Industrial Park will be made from time to time, provided that the same shall not substantially interfere with COMPANY's use and enjoyment of the Leased Property.

XVII. INDEMNIFICATION.

COMPANY agrees to indemnify and save TEDE harmless from any and all claims for damages or losses of any kind or nature whatsoever, arising from negligent acts or omission of COMPANY or its contractors, licensees, agents, invitees, or employees, or arising from any accident, injury or damage whatsoever caused to any person or property occurring in or about the Leased property, or the areas adjoining the Leased Property and against all cost and expenses, including attorneys' fees, incurred thereby.

TEDE agrees to indemnify and hold COMPANY harmless from any claim, demand or action relation to or arising out of the presence of any hazardous material, on, in or emanating from the Leased Property as of the date of Commencement of the Lease Term.

TEDE agrees to indemnify and to hold COMPANY harmless from any claim, demand or action deriving from injury or damage to COMPANY or its agents or employees and from any and all liability for injury to third parties or damage to the property of third parties arising from any negligent act or omission of TEDE, its agents, contractees or employees while on or in the vicinity of the Leased Premises. Furthermore TEDE indemnifies and holds COMPANY harmless from any liability arising or derived from services performed in connection with any construction or repairs to the Leased Property, made during the Lease Term by TEDE, TEDE's employees, agents or by third parties contracted by TEDE. Consequently TEDE warrants and guarantees that, to the best of TEDE's knowledge, the third parties or employees of TEDE shall fully comply with all pertinent construction and social security regulations, tax and labor laws and any other applicable laws or regulations.

XVIII. NOTICES.

All notices under this Lease Agreement shall be forwarded to the addresses mentioned in the Recitals above or such other addresses as may from time to time be furnished by the parties hereto. Said notices shall be in writing and shall be deemed given ten (10) days after the date of mailing thereof. Duplicate notices shall be sent by certified airmail, postage prepaid or registered

mail, to such additional addresses as may from time to time be requested in writing by the parties hereto.

XIX. COMPANY'S DEFAULT

Each of the following shall be a default of COMPANY:

1. Vacation or abandonment of the Leased Property for more than 5 working days;

2. Failure to pay any installment of rental due and payable hereunder upon the date when said payment is due, said failure continuing for a period of ten (10) days after written notice of such default;

3. Default in the performance of any of COMPANY's covenants agreements or obligations hereunder, except default in the payment of any installment of rent, continuing for fifteen (15) days after written notice thereof is given from TEDE to COMPANY, without commencing to diligently cure the default, or with respect to a default which cannot be cured within such 15 days, COMPANY having not commenced to cure such default and thereafter proceeding diligently to cure such default;

4. A general assignment by COMPANY for the benefit of creditors;

5. The filing of a voluntary petition in bankruptcy by COMPANY or the filing of an involuntary petition by COMPANY's creditors, said petition remaining undischarged for a period of sixty (60) days;

6. The appointment of a Receiver to take possession of substantially all of COMPANY's assets or of this Leasehold, such attachment, execution or other seizure remaining undismissed or undischarged for a period of thirty (30) days after the levy thereof.

7. Attachment, execution or other judicial seizure of substantially all of COMPANY's assets or this Leasehold, such attachment, execution or other seizure remaining undismissed or undischarged for a period of thirty (30) days after the levy thereof.

Upon occurrence of any one of the foregoing COMPANY's defaults, TEDE shall have the right, at its option and in addition to other rights or remedies granted by law, to do either of the following:

A. Immediately rescind this Lease Agreement and eject COMPANY from the Leased Property.

B. Claim specific performance. In the case of default as specified above, TEDE shall, in addition to all other remedies, have the right to declare and collect the entire unpaid balance of rent to the end of the last lease year of the existing Lease Term or extension

thereof then in effect and also declare all other sums due to TEDE, immediately due and payable, plus interest at the rate of twenty percent (20%) per annum on said sums from the date of such declaration until paid in full.

In the event that the Land and the Improvements covered under this Lease Agreement are Leased to another tenant during the remainder of the initial term or extension thereof, and the COMPANY pre-pays the rent unpaid balance as a result of this clause, TEDE shall promptly refund to COMPANY that portion of rent paid by COMPANY pursuant to this paragraph which is allocable to the period of the Lease Term during which the Leased Property was leased to another tenant or otherwise used in a beneficial manner as well as any other allocable sums paid by COMPANY to TEDE, less any loss or damage incurred by TEDE as a result of COMPANY's default, or;

If such rent or other sums due to TEDE have not been paid by COMPANY, TEDE shall add such amount(s) to COMPANY's unpaid balance of rent stated clause XIX B.

XX. RIGHT TO CURE DEFAULTS.

In the event of COMPANY's breach or default of any term or provision herein, TEDE may, without any obligation to do so at any time after ten (10) days written notice, cure such breach or default or make repairs to the Leased Property for the account and at the expense of COMPANY.

If TEDE, by reason of such breach or default, provided TEDE is the prevailing party in the event of a dispute, pays any money or is compelled to incur any expense including attorneys' fees, the sums so paid or incurred by TEDE, with all interest, cost and damages, shall be paid by COMPANY to TEDE on the first day of the month following the incurring of such expenses. If any installment of rent or any other payment is not paid promptly when due, it shall bear interest of twenty percent (20%) per annum from the date on which it becomes due until paid; but this provision is not intended to relieve COMPANY from any defaults in the making of any payment at the time and in the manner herein specified.

The foregoing interest, expenses and damages shall be recoverable from COMPANY by exercise of TEDE's remedies herein above set forth. Efforts by TEDE to mitigate the damage caused by COMPANY's breach of this Lease shall not be constructed to be a waiver to TEDE's right to recover damages under this Clause XX. Nothing in this Clause affects the right of TEDE of indemnification by COMPANY in accordance with Clause XVII herein above for liability arising prior to the termination of this Lease for personal injuries or property damage.

XXI WAIVER.

In the event TEDE or COMPANY does not compel the other to comply with any of the obligations hereunder, such action or omission shall not be constructed as a waiver of a subsequent breach of the same or any other provision. Any consent or approval shall not be deemed to waive or render unnecessary the consent or approval of any subsequent or similar act by COMPANY or TEDE.

XXII. CERTIFICATES.

COMPANY shall, within ten (10) days of receipt of a written request made by TEDE, deliver to TEDE a statement in writing, certifying that this Lease Agreement is unmodified and in full force and effect (or if there have been modifications that the same are in full force and effect as modified); the dates to which the rent and any other charges have been paid in advance and, if that is the case, that TEDE's Improvements have been satisfactorily completed. It is intended that any such statement may be relied upon by any person, prospective purchaser or lending institution interested in the Leased Property.

XXIII. HOLDING OVER.

If COMPANY should remain in possession of the Leased Property after the expiration of this contract, COMPANY shall pay MARAN a monthly penalty equivalent to 2 (Two) months rent as of the expiration date of the Lease Agreement until COMPANY has delivered to TEDE the Leased Property or executed a new Lease Agreement. This provision shall not be construed as granting any right to COMPANY to remain in possession of the Leased Property after the expiration of the Lease Term. COMPANY shall indemnify TEDE against any loss or liability resulting from delay by COMPANY in surrendering the Leased Property, if such loss or liability is founded on said delay. The parties agree that COMPANY shall quit and surrender the Leased Property at the expiration of this Lease Agreement, waiving the right provided by law.

XXIV. SURRENDER.

On the last day of the term of this Lease Agreement or the sooner termination thereof, pursuant to other provisions hereof, COMPANY shall quit and surrender the Leased Property, clean, in good conditions (normal wear and tear excepted) together with all alterations, additions and Improvements that may have been made in the same except furniture, machinery, fixtures and equipment owned by COMPANY. Upon the termination of this Lease Agreement, COMPANY shall immediately remove all of its property from the Leased Property. Any furniture or fixtures not removed shall be deemed abandoned by COMPANY. COMPANY shall immediately repair any and all damage caused to Leased Property in the removal of COMPANY'S property.

XXV. QUIET ENJOYMENT.

TEDE Agrees that the COMPANY upon paying the rent and all other charges provided for herein and upon complying with all of the terms and provisions of this Lease Agreement, shall lawfully and quietly occupy and enjoy the Leased Property during the Lease Term.

XXVI. ATTORNMENT.

COMPANY shall in the event any proceedings are brought for the foreclosure of or in the event of exercise of the power of sale under any mortgage or Trust Deed made by TEDE, its successors or assigns, encumbering the Leased Property or any part thereof, if so requested, attorn to the

purchaser upon such foreclosure or sale and recognize such purchaser as the Lessor under this lease.

XXVII. SECURITY DEPOSIT.

COMPANY, upon execution of this Lease Agreement, shall deposit the equivalent of 3 (three) month's rent which will serve as the security deposit for the full and timely performance of each term, provisions and obligations, including the payment of rent. TEDE may, in addition to all other rights, use or retain the whole or any of this security for the payment of any rent in default or for any other sum due and payable to TEDE. Should COMPANY fully and timely perform with all the obligations of this Contract, this Security Deposit or any of the balance of the Security Deposit shall be refunded in full upon the expiration of this Lease Agreement or any extension thereof. COMPANY shall not be entitled to any interest on the security deposit.

XXVIII. HAZARDOUS MATERIALS

TEDE certifies that neither the land nor the building to be constructed thereon contain hazardous substances as of the commencement of the Lease Term. The COMPANY shall deliver to TEDE the leased property free of any hazardous substances in the soil or in the improvements, in excess of the levels at which applicable laws require remediation.

XXIX. MISCELLANEOUS.

A. This document contains all of the agreements and conditions made between the parties and may not be modified orally or in any manner other than by a written agreement signed by the authorized representatives of the parties.

B. If any term, covenant, condition or provision of this Lease, or the application thereof to any person or circumstance, shall to any extent be held by a court of competent jurisdiction, to be invalid, void or enforceable, the remainder of the terms, covenants, conditions and provisions of this Lease or the application thereof to any person or circumstance, shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

C. In the event that either party should bring an action against the other party for the possession of the Leased Property or for the recovery of any sum due hereunder or because of the breach or default of any covenant in this Lease Agreement, the prevailing party shall have the right to collect from the other party its costs and expenses including attorney's fees.

D. Every payment and performance required by this Lease Agreement shall be paid and performed precisely on the date specified for such payment or performance and no delay or extension thereof shall be permitted.

E. The titles and subtitles in these Clauses of this document shall have no effect on the interpretation of the terms and provisions contained in the Lease Agreement.

F. The parties agree that this Lease Agreement shall be governed by the Laws of the State of Baja California, Mexico. For everything pertaining to the interpretation and compliance of this Lease Agreement, the parties thereby expressly submit themselves to the jurisdiction of the Civil Courts of the city of Mexicali, State of Baja California, waiving any other jurisdiction which might be applicable by reason of their present of future domiciles or otherwise.

G. This Lease Agreement shall be executed in English and Spanish. However, in the event of a dispute or an inconsistency regarding interpretation or meaning of this Lease Agreement, the English version shall prevail.

H. Whenever the prior consent of either party, written or otherwise is required as a condition for any act by the other party under this Lease Agreement, or when the right of any one party is dependent on the other party determining that something is acceptable, such party agrees not to unreasonably withhold such consent, or determination of acceptability.

I. Each party shall execute such further documents as shall be requested by the other party, but only to the extent that the effect of said documents is to give legal effect to right and obligations stated forth in this Lease Agreement.

J. Submission of this instrument for examination or signing by COMPANY does not constitute a reservation of or option to Lease and it is not effective as a Lease or otherwise until execution and delivery by both TEDE and COMPANY.

K. This Lease and each of its covenants and conditions shall be binding upon and shall inure to the benefit of the parties hereto and their respective assigns, subject to the provisions hereof. Whenever in this Lease a reference is made to TEDE, such reference shall be deemed to the person in whom the interest of the Lessor hereunder shall be vested. Any successor or assignee of COMPANY who accepts an assignment or the benefit of this Lease and enters into possession or enjoyment hereunder shall thereby assume and agree to perform and be bound by the covenants and conditions thereof.

L. COMPANY hereby covenants to TEDE, and TEDE relies upon said covenant as a material inducement to enter into this Lease, that COMPANY will deliver to TEDE, concurrently with the execution and delivery hereof a Guaranty of this lease in the form attached hereto as Exhibit "F", executed by __________________ or any other Guarantor as may be acceptable to TEDE.

IN WITNESS WHEREOF, the parties have executed this Lease Agreement in the City of Mexicali, Baja California, Mexico, on _____ day of _______, 199__.

/s/ MARIO TERAN DEL RIO

- -----------------------------   ---------------------------------------

(LESSOR)   (LESSEE)

WITNESS: ---------------------   WITNESS: --------------------------------

EXHIBIT A

PARCELA 88-A

[BLUEPRINT]

EXHIBIT B

PARCELA 88-A

[BLUEPRINT]

EXHIBIT C

BLOCK DIAGRAM

[DIAGRAM]

MARAN INDUSTRIAL PARK
CALAVO FOODS DE MEXICO, S.A. DE C.V.

EXHIBIT "E"

THIS EXHIBIT FORMS INTEGRAL PART OF THE LEASE AGREEMENT HELD BETWEEN TEDE, S.A. DE C.V. AND (LESSEE), S.A. DE C.V. DATED ________________, 199_.

RULES AND REGULATIONS

MARAN INDUSTRIAL PARK

R E C I T A L S

1) The MARAN INDUSTRIAL PARK main activity is the leasing of facilities, construction of buildings and industry plants for the national and foreign industry and maquiladoras.

2) The regulations and ordinances shall be observed by lessors and lessees, owners of installations and all the occupants that for some reason shall be using the facilities of MARAN INDUSTRIAL PARK.

3) The construction of buildings for industrial use, the infrastructure and all occupants that shall be using the facilities of MARAN INDUSTRIAL PARK.

4) The purpose of this Ordinance is to regulate the activities in MARAN INDUSTRIAL PARK to maintain the good order and harmony among the occupants, preserve the environment and architectural concepts; and protect the property and amenities of the PARK.

To comply with the above mentioned, we have the following:

C L A U S E S

FIRST - Use of the installations.

M.L.P. shall be used and occupied for the establishment of any national or foreign industry, maquiladora, warehouse of raw materials and finished products, in accordance with written agreements in each case and the development plan of the PARK. Service areas shall be allocated to assist the companies already established in M.I.P., landscaping and recreational areas for the workers, employees and the executives of these mentioned companies.

SECOND - Prohibitions.

The occupants of M.I.P. shall not perform or omit any acts that may damage the buildings nor affect the development of the PARK. Thus, the following actions shall be restricted:

a) Underground constructions, awnings, apartments, tents or dwellings for living purposes.

b) The development of agricultural activities.

c) The opening of stores to sell retail, except those expressively permitted by the PARK.

d) The storage of the materials out doors or outside of the buildings.

e) The handling of hazardous or explosive materials shall not be permitted without a written consent from M.I.P. and shall be authorized by the government and environmental officials.

f) The excessive emission of bad odors, dust, smoke and noise. There shall be permitted only the necessary when a construction is being made, and alterations or improvements are taking place to the existing buildings, and for short periods of time and without causing nuisances to the other occupants nor the installations of the PARK. The burn of any kind of trash shall not be permitted.

g) Any kind of activity within the M.I.P. that may damage the property, its cleanliness and safety shall not be permitted.

THIRD - Parking Area.
a) The parking spaces shall be used by the employees and the transportation trucks of each facility for their normal activities. There shall one parking space every 140 sq. meters in the production area and warehouses; and one parking space every 35 sq. meters for the office area.

b) The repair and maintenance areas shall be constructed within the facilities. Thus, shall not be permitted the repairing of automobiles in the parking spaces nor the streets of M.I.P.

c) The streets of M.I.P. shall not be used for parking nor loading and unloading.

d) The parking area shall not be used for storage of materials, accessories, raw materials nor equipment. There shall be free passage for pedestrians along the sidewalks.

FOURTH - Service Areas.
Each building shall have a service area, which in accordance with the lease agreement, shall be assigned for a specific purpose and not in violation of the regulations of M.I.P. Each service area shall be delimited by a fence with entrances and exits for a free circulation along the streets of M.I.P.

FIFTH - Warehouses.
The spaces assigned for storage shall be kept out of sight and the storage of any kind of materials and equipment outside of this area shall not be permitted. The occupants of the facility shall be responsible that the stored materials shall not cause any damage to the other occupants nor the constructions of M.I.P.

SIXTH - Electric Installations and Air Conditioning Equipment.
All electrical installations and air conditioning equipment shall be placed without causing damage to the structural integrity of the buildings of M.I.P.

SEVENTH - Signs.
Signs and advertisements shall be installed in the spaces provided for that purpose. Any change of place for their installation shall require a written approval of M.I.P.

EIGHT - Waste and Trash Containers.
Trash of any kind shall be placed in special containers and the occupants shall arrange for the regular pickup of trash at its own expense.

NINTH - Construction of New Buildings.
The construction of new industrial buildings shall be at M.I.P. expense, unless an existent mutual agreement. Said new buildings shall be constructed in accordance with the plans and specifications of M.I.P. in the provided spaces.

TENTH - Alterations to the Existent Buildings.
There shall not be permitted any alterations to the existent buildings of the leased property unless a written consent from M.I.P. is issued, and the Lessee shall furnish the following information:

a) Blue prints and specifications of the alteration to be made and shall be of good quality and resistant to fire.

b) A list of materials to be used for these alterations or construction and shall be of good quality and resistant to fire.

c) These alterations shall be performed in accordance with the laws and regulations of the government authorities of the State of Baja California.

d) Once the authorized license for construction has been obtained, it shall be turned to M.I.P. along with the blue prints and projects sealed and approved by the official authorities.

ELEVENTH - Fire Precautions.
The occupants shall have in the occupied buildings an alarm system to detect fires as well as the necessary equipment for the prevention and extinction of any fire, and shall be in accordance to the laws and regulations of the fire department. This system shall be specially requested when inflammable products are to be handled or stored.

TWELFTH - Health Protection.
The occupants of each building shall have special care to keep in good health and moral behavior within their installations, and shall have special devices to prevent contagious or infectious ailments to affect their personnel.

THIRTEENTH
The rules and regulations in this Ordinance are mandatory to all the occupants of MARAN INDUSTRIAL PARK and the violation to any of them shall cause a violation of the Lease agreement between the Lessor and the Lessee.

/s/ MARIO TERAN DEL RIO	
(LESSOR)	(LESSEE)

EXHIBIT "F"

G U A R A N T Y

WHEREAS, TEDE, S.A. DE C.V., a Mexican corporation (hereinafter, referred to as "LESSOR") is owner of certain real property in the city of Mexicali, B.C. Mexico; and Calavo Foods de Mexico, S.A. de C.V.

WHEREAS, this Guaranty is given by Calavo Growers of California hereinafter referred to as "GUARANTOR") to induce LESSOR to enter into a Lease Agreement, with Calavo Foods de Mexico, S.A. de C.V., a Mexican corporation (hereinafter referred to as "LESSEE"), as stated in corresponding Lease Agreement held between LESSOR and LESSEE, dated ________________ (Hereinafter referred to as the "Lease Agreement").

NOW, THEREFORE, in consideration of the foregoing, it is agreed:

1. OBLIGATION OF THE GUARANTOR. The GUARANTOR unconditionally guarantees to LESSOR, its successor and assignees, the prompt, full and complete payment and performance to LESSOR of all the conditions, covenants, obligations, liabilities and agreements, of LESSEE as set forth in the Lease Agreement or any extension thereof between LESSOR and LESSEE. This Guaranty extends to and includes any and all interest due or liable to become due, together with all attorney's fees, costs and expenses of collection incurred by LESSOR in connection with any matter covered by this guaranty. The GUARANTOR's address is:

Calavo Growers of California
15661 Red Hill Avenue
Tustin, CA 92680
(714) 259-1166

2. TERM OF GUARANTY. The liability of the GUARANTOR shall continue until payment is made and performance given pursuant to every obligation of the LESSEE now due or hereafter to become due in accordance with the terms of the Lease Agreement or any extension thereof, between LESSOR and LESSEE, and until payment is made of any loss or damage incurred by LESSOR with respect to any matter conserved by this Guaranty shall be irrevocable. Nothing contained herein shall impose upon GUARANTOR any greater or different liability than is or may be imposed on said LESSEE under the Lease Agreement except to pay LESSOR attorney's fees, costs and expenses of collection incurred in proceeding against GUARANTOR Hereunder.

3. CONSENT TO LESSOR ACTS. The GUARANTOR consents, without affecting the GUARANTOR'S liability to LESSOR hereunder, That LESSOR may, without notice to our consent of the GUARANTOR, upon such terms as it may deem advisable, to the following:

a. Extend, in whole or in part, by renewal or otherwise, any time of payment or performance on the part of LESSEE, provided for in the Lease Agreement;

b. Release, surrender, exchange, modify, impair, or extend any period or duration, or any time for performance, or payment on the part of LESSEE, required by the Lease Agreement; and

c. Settle or compromise any claim of LESSOR against LESSEE or against any other person, firm or corporation whose obligation is held by LESSOR as security to LESSOR under the Lease Agreement.

The GUARANTOR hereby confirms and affirms any such extension, renewal, release, surrender, exchange, modification, impairment, settlement or compromise and all acts shall be binding upon GUARANTOR who hereby waives all defense, counterclaims or offsets which GUARANTOR might have solely by reason thereof.

4. WAIVER OF GUARANTOR. GUARANTOR Waives:

a. Notice of acceptance of this Guaranty by:

b. Notice of presentment, notice of nonperformance, notice of dishonor and notices of existence, creation or incurring of new or additional indebtedness or obligations, demands for payment or performance or protest of any obligations of LESSEE of LESSOR under the Lease Agreement;

c. Notice of the failure of any person, firm or corporation to pay to LESSOR any indebtedness held by LESSOR as collateral security for any obligation of LESSEE to LESSOR under the Lease Agreement;

d. Any right to require LESSOR to (i) proceed against LESSEE (ii) proceed against or exhaust any security or other lien or right of or held by LESSOR from LESSEE; or (ii) pursue any other remedy in the power of LESSOR whatsoever;

e. Any defense, offsets or claims whatsoever; which LESSEE may have against LESSOR;

f. Any defenses, offsets or claims arising from any governmental action or intervention which wholly or partially frustrates any or all of the purposes for which the Lease Agreement was entered into;

g. Any defects in the perfection of the assignment pledge of the rents by failure to record the Lease Agreement or any instrument or assignment and pledge in the public Registry under Mexican Law.

5. REPRESENTATIONS BY GUARANTOR. GUARANTOR represents and warrants that at the time of execution and delivery of this Guaranty, nothing exists to impair the effectiveness of

the liability of GUARANTOR to LESSOR hereunder, or the immediate taking effect of this Guaranty as the sole Agreement between the GUARANTOR and LESSOR with respect to guaranteeing all of LESSEE's obligations to LESSOR under the Lease Agreement.

GUARANTOR further represents and warrants the GUARANTOR is authorized to execute and deliver this Guaranty and that the person executing this guaranty is authorized to execute the same for and on behalf of GUARANTOR.

6. REMEDY OF LESSOR. In the event of any default on the part of LESSEE as defined in the Lease Agreement, LESSOR may at its option proceed in the first instance against GUARANTOR, jointly and severally, to collect any obligation covered by this Guaranty, without first proceeding against LESSEE or any other person, firm or corporation without first resorting to any property at any time held by LESSOR as collateral security.

7. MODIFICATION OF AGREEMENT. The whole of this guaranty is herein set forth and there is no verbal or other written agreement and no understanding or custom affecting the terms hereof. This Guaranty can be remedied only by a written instrument signed by the party to be charged therewith.

8. NON-WAIVER BY LESSOR. The liability of GUARANTOR under this guaranty shall not be affected by the insolvency of LESSEE or LESSOR, at any time or by the acceptance by LESSOR of security, notes, acceptance, drafts or checks or by assignment, foreclosure or the other dispositions thereof by LESSOR presenting or proving for allowance any secure or unsecured claim or demands or by LESSOR acceptance to any compositions, planed reorganization, settlement, compromise, divided payment or distribution; and GUARANTOR shall not be entitled to claim any right in or benefit by reason of any such composition, plan or reorganization, settlement, compromise, divided, payment or distribution, or in by reason of any security held by LESSOR, of the proceeds to other dispositions thereof; unless and until all of said obligations, liabilities and indebtedness, together with interest, attorney's fees and costs due to LESSOR under this Guaranty or under the Lease Agreements, shall have paid in full. Nothing contained in this Agreement shall alter any of the right or remedies of LESSOR against LESSEE. GUARANTOR authorizes LESSOR, without notice or demand and which affecting the liability of GUARANTOR hereunder, from time to time to:

a. Renew, compromise, extend, accelerate, or otherwise change the time for payment of, or otherwise change the terms of the indebtedness or any part thereof under the Lease Agreements, including increase or decrease of any amounts due thereunder or any rate of interests specified therein;

b. Take and hold security for the payment of this Guaranty or the indebtedness guaranteed, and exchange, enforce, waive, release, any such security;

c. Apply such security and direct the order or manner of sale thereof, as LESSOR in its discretion may determined and;

d. Release or substitute any one or more of LESSEE or GUARANTOR may assign this Guaranty in whole or in part. GUARANTOR may assign this guaranty in whole or in part, provided that GUARANTOR shall remain liable for its obligations hereunder unless released therefrom by LESSOR or its successors and provided further that GUARANTOR shall first give LESSOR sixty (60) days prior written notice.

9. APPLICABLE LAW. This Guaranty is made in the State of California and the rights and obligations of GUARANTOR hereunder shall be constructed and enforced in accordance with the laws of the State of California. It is hereby expressly understood and agreed by GUARANTOR that in the event a dispute arise as to the performance of the obligations of GUARANTOR pursuant to this guaranty, any action relating to this guaranty agreement shall be instituted and prosecuted in the United States District Court for the Central District of California and each party hereby waives the right to change of venue.

10. MISCELLANEOUS PROVISIONS. GUARANTOR agrees to pay to LESSOR a reasonable attorney's fee and all other costs and expenses which may be incurred by LESSOR in the collection or efforts to collect the indebtedness owed by LESSEE to LESSOR pursuant to the Lease Agreement or in collection or efforts to collect or enforcement at the sums due under this guaranty, provide that if GUARANTOR is the prevailing party in any action or proceeding to enforce this Guaranty or collects any amounts allegedly due hereunder; LESSOR should pay GUARANTOR a reasonable attorney's fee and other costs and expenses which may be incurred by GUARANTOR.

The paragraph headings of this guaranty are not part of this guaranty and shall have no effect upon the construction and interpretation of any part hereof and are inserted herein for convenience only.

In the event that any provisions hereof or any portion of any provisions hereof shall be deemed to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other portion of said provisions or any other provisions herein. All remedies herein conferred upon LESSOR shall be cumulative and no one exclusive of any other remedy conferred herein or by law or equity. Time is of the essence in the performance of each and every obligation herein imposed.

GUARANTOR represents and warrants that it has all requisite power and authority to enter into this Guaranty agreement and that neither the execution or delivery of this Agreement or the consummation hereof nor the performance of the terms hereof will conflict with or result in a breach of the terms, conditions or provisions of or constitute a default under or result in the creation of any lien pursuant to any other agreement of instrument under which GUARANTOR is obligated.

11. ACKNOWLEDGMENT OF ASSIGNMENT. In the event this Guaranty is assigned to a bank or other lending institution, the GUARANTOR shall furnish to such entity a letter stating that the GUARANTOR acknowledges receipt of notice of an assignment by LESSOR of said Guaranty;

that said guaranty is in full force and effect; that no changes to the guaranty as originally executed have been made; that the GUARANTOR will not enter into any modification of this guaranty without first obtaining prior written approval thereof from said lender; that said lender may rely solely upon the guaranty with respect to the lender's right to receive the rents in accordance with the terms of the Lease Agreement; and that all payments made thereafter shall be made to the lender or its assigns at such times not in conflict with those permissible under the Lease Agreement, at such places or in U.S. Dollars as directed by the lender or its assigns.

12. NOTICE OR DEFAULT. Notwithstanding any provision to the contrary herein expressed or implied, no claim of default on the part of LESSEE or on the part of GUARANTOR shall be made hereunder unless and until notice of such defaults has been given to LESSEE as provided in the Lease Agreement and a copy thereof mail to GUARANTOR by first class certified mail, postage prepaid at that address shown on paragraph 1 of this Guaranty.

13. SUCCESSORS BOUND. This Guaranty is binding, jointly severally upon GUARANTOR and its legal representatives and successors and shall inure to the benefit of LESSOR, its legal representatives, successors, and assigns.

IN WITNESS THEREOF, GUARANTOR has signed this Agreement in the city of Tustin, California, United States of America, on the 25 day of the month of October, 1994.

By: /s/ CHARLES REDMAN

Its: Vice President

ATTESTED

By: /s/ EGIDIO CARBONE

Its: Vice President

/s/ MARIO TERAN DEL RIO
- --------------------------------------   ------------------------------------
LESSOR   LESSEE

EXHIBIT D

THIS EXHIBIT FORMS AN INTEGRAL PART OF THE LEASE AGREEMENT HELD BETWEEN TEDE, S.A. DE C.V. (TEDE) AND CALAVO FOODS DE MEXICO, S.A. DE C.V. (COMPANY), DATED ______________, 1994.

1. GENERAL DIMENSIONS AND AREAS

Lot size	103,983 sf
Building size	50,311 sf
Main office/lunch room/restrooms area	3,000 sf

2. CONSTRUCTION MATERIALS AND ENGINEERING SPECIFICATIONS

Frame type:	Steel, rigid frame 3/8" web and 1/2" flanges
Roof material:	Galvanized steel
Wall construction:	Colored concrete block on front wall, steel side & back walls made with brick & block skirting.
Minimum clearance:	26'3" - Center columns (Z-Plane) 22'10" - Eave
Roof insulation:	1" Spray-on Polyurethane foam or expanded polystyrene
Floors:	5" Thick, 3000 PSI concrete, fiber and 3/8" re-bar mesh reinforcements
Column spacing:	72'2" Horizontally (X-Plane) 26'3" Vertically (Y-Plane)
Water distribution:	2" Pipe distributed on the perimeter of building per Calavo requirements.
Drains:	Located on the following areas: * Receive/wash area * Sorting area * Process room * On the exterior part of the building (refuse band cleaning) All drains are made of plastic "vinylester" suitable for food processing operation
Electrical:	TEDE will provide the first 500 KVA hook-up fees. Any additional requirements shall be paid by COMPANY. 1,200 KVA are available on the lot.

Transformer: TEDE will furnish a 500 KVA transformer to be used by COMPANY for the installation of COMPANY'S substation.

Sewer: All production area drains will be installed on a separate circuit from the rest of the building, for monitoring purposes.

Roll-up door: One 14' W x 16' H on receiving area, Two 10' x 10' on shipping

Plenum exhaust: Two (2) located on center of building for exhausting stale air from top of cold rooms and improve system efficiency.

Interior illumination: Metal Halide HID lamps for cold rooms and aisles. 40 foot candles.

Sorting area & process room equipped with 4 tube fluorescent lamps to provide a minimum of 80 foot candles at desktop height. Also, all troffers complete with covers to prevent debris to fall into rooms, according to food preparation guidelines

Exterior illumination: Wall mounted high pressure sodium lamps and fixtures

Receiving docks: 2 truck capacity, gentle slope, equipped with sump pump

Shipping docks: 2 truck capacity, gentle slope, equipped with sump pump and dock seals, located next to product holding room.

Storage room: Included, 16' x 30'

3. COLD ROOM CONSTRUCTION

The following R-Factors will be applied to the cold room construction. Oriented strand board (OSB) Panels will be used. Waterproof interior walls and floors are included only on the sorting/process areas.

	(ft) LENGTH	(ft) WIDTH	(ft) HEIGHT	(sf) ROOM AREA	R-FACTOR WALL INSULATION	R-FACTOR ROOF	R-FACTOR ROOF
Receiving Cooler 1	36	48	20	1,728	16.68	29.19	0
Receiving Cooler 2	36	48	20	1,728	16.68	29.19	0
Ripening rooms (5)	30	54	26	8,100	16.68	20.85	0
Pre-Process Cooler	40	48	20	1,920	16.68	29.19	0
Sorting area	75.01	66.55	26	4,992	16.68	20.85	0
Process Room	75.01	79.61	20	5,972	16.68	20.85	0
Holding Room	24.57	43.56	20	1,070	20.85	29.19	16.68
				25,510			

4. MAIN OFFICE/LUNCHROOM/RESTROOMS

Wall construction: Brick exterior wall to eliminate repainting, interior partitions made according to Calavo's specs.

Air conditioning: Standard. 12.5 ton system

Restrooms: 90 employees capacity, 25% male, 75% female

Cafeteria: Up to 1,500 sf in area, as required by Calavo.

Exterior lighting: 13 pivoting head lamps

Flooring(1st.floor): Ceramic tile

Flooring(2nd.floor): High traffic carpeting

Exterior windows: Tinted to reduce load on A/C System

Phone lines: Four (4) included. Additional lines available upon request. 30 day maximum lead-time.

5. EXTERIOR AREAS

Security: Guard shack included. With inter-office communication conduit.

Landscaping: Low maintenance vegetation suitable for Mexicali's climate.

Fencing: Ornamental iron fence on the front part of the building, chain link fence on the sides. Brick wall at the rear.

Sewer test area: Included. To test production area effluents. Independent of the rest of the sewer system.

Refuse area P/U: Surrounded with concrete screen block, to blend in with rest of building. Equipped with drains for easy cleaning.

Parking: According to code

ACCEPTED:

- -------------------------

CALAVO FOODS DE MEXICO, S.A. DE C.V.(LESSEE)

/s/ MARIO TERAN DEL RIO

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TEDE, S.A. DE C.V.(LESSOR)

MEXICALI, B.C.

[MAP]

EXHIBIT 10.4

LEASE AGREEMENT

THIS LEASE AGREEMENT ("LEASE") IS MADE AND ENTERED INTO AS OF NOVEMBER 21, 1997 BY AND BETWEEN TEDE, S.A. DE C.V., A MEXICAN CORPORATION ("TEDE"), AND CALAVO DE MEXICO, S.A. DE C.V., A MEXICAN CORPORATION ("COMPANY"), WITH REFERENCE TO THE FOLLOWING FACTS:

Recitals

A. TEDE hereby declares that:

1. TEDE is a corporation organized and existing under the Mexican General Corporation Law, as per Public Instrument No. 22,582, granted before Licenciado Gonzalo Gonzalez Alvarez, Public Notary No. 6 of the City of Mexicali, Baja, California, Mexico. The corporate purpose of TEDE is the purchase, ownership and lease of real property;

2. Mr. Mario Teran Del Rio is the attorney-in-fact for TEDE, as set forth in Public Instrument No. 22,582, granted before Licenciado Gonzalo Gonzalez Alvarez, Public Notary No. 6 of the City of Mexicali, Baja, California, Mexico;

3. TEDE'S registration number at the Federal Registry of Taxpayers is: TED-781027-R72;

4. TEDE'S principal place of business is: CARRETERA UNION MARAN #2701-F, PARQUE INDUSTRIAL MARAN;

5. On or about August 28, 1997, TEDE entered into a Promise of Sale with Mrs. Victoria Alvarez Armas Viuda de Barragan for the purchase of that certain real property containing approximately 40,468 square meters as more particularly described on EXHIBIT A attached hereto and incorporated herein (the "REAL PROPERTY"). The Real Property is located within a larger lot containing 27-31-58 hectares, in the land known as "Quirindavara," located in the outskirts of the City of Uruapan, Michoacan. Pursuant to said Promise of Sale, TEDE, as Buyer, and Mrs. Alvarez, as Seller, will enter into that certain agreement for the purchase and sale of the Real Property) the "PURCHASE AGREEMENT") upon the execution of this Lease and will thereafter complete the transactions contemplated therein within fifteen (15) days after the date hereof; and

6. Upon purchasing land, TEDE represents and warrants that the Real Property is free of any existing liens, taxes, mortgages, leases, adverse claims or other encumbrances.

B. Company hereby declares that:

1. Company is a corporation organized and existing under the Mexican General Corporation Law, as per Public Instrument No. ____, granted before Luis Valdez Anguiano, Public Notary No. 28 of the City of Guadalajara, Mexico;

2. ___________________ is the attorney-in-fact for Company, as set forth in Public Instrument No. ______, granted before _________________, Public Notary No. ________ of the City of __________________, Mexico;

3. Company's registration number at the Federal Registry of Taxpayer CME 940415L35; and

4. Company's Principal place of business is: ______________________.

C. The Real Property is comprised of two parcels, described as follows:

1. A parcel ("PARCEL A") containing approximately 17,806 square meters (4.4 acres) located in the ______________ portion of the Real Property, upon which TEDE shall construct certain improvements as set forth in EXHIBIT C and EXHIBIT D attached hereto and made a part hereof (the "IMPROVEMENTS"); and

2. A parcel ("PARCEL B") containing approximately 22,662 square meters (5.6 acres) located in the ______________ portion of the Real Property.

Parcel A, Parcel B and the Improvements are described more particularly on EXHIBITS B, C AND D attached hereto and made a part hereof. Parcel A, Parcel B and the Improvements are referred to collectively as the "LEASED PROPERTY" and are sometimes referred to individually as a "PARCEL."

Agreement

A. LEASE OF LEASED PROPERTY. In consideration of the rent and the covenants and agreements made herein, TEDE leases to Company and Company leases from TEDE the Leased Property.

B. COMMENCEMENT AND TERMINATION.

1. The commencement date as to each Parcel shall be as set forth herein:

a. Parcel A and Parcel B. The "REAL PROPERTY COMMENCEMENT DATE" shall be the date upon which TEDE delivers to Company: (i) evidence reasonably satisfactory to Company that the purchase of the Real Property by TEDE has been completed, which evidence shall consist of a copy of the ownership deed executed with a notary public and duly recorded with the local registry of public records and commerce of the City of Uruapan, Michoacan and the letter referred to in Section B.1.a.(iii) below, (ii) a copy of this Lease executed with a notary public and duly recorded with the local registry of public records and commerce of the City Uruapan, Michoacan, and (iii) a letter addressed to Company from legal counsel in Mexico that they have performed a title search going back a sufficient time period so that the buyer can rely on receiving clear and unobstructed title to the Real Property and Company can rely on receiving clear and unobstructed title to the leasehold granted by this Lease and to the options also granted by this Lease to extend the term of the leasehold and to purchase the Leased Property; and

b. Improvements. The "IMPROVEMENTS COMMENCEMENT DATE" shall be the date on which all of the following have been accomplished:

(1) The Improvements have been completed in accordance with the plans and specifications set forth in Exhibit C and Exhibit D hereto, and with any Change Orders (as hereinafter defined) agreed to in writing by the parties, and with all applicable governmental laws and regulations,

(2) All necessary governmental approvals for occupation of the Leased Property have been issued; and

(3) Company has accepted and approved the Improvements, which acceptance and approval shall be given provided the conditions listed in Sections B.1.b.(1) and B.1.b.(2), above, have been satisfied.

The Real Property Commencement Date and the Improvements Commencement Date are each sometimes referred to individually as a "COMMENCEMENT DATE."

2. Unless earlier terminated in accordance with the provisions hereof, this Lease shall terminate as to each of the Parcels as set forth below:

a. The term of this Lease with respect to Parcel A and the Improvements shall expire on the date which is ten (10) years following the Improvements Commencement Date. The date on which this Lease terminates as to Parcel A and the Improvements shall be referred to as the "PARCEL A TERMINATION DATE."

b. The initial term of this Lease with respect to Parcel B shall expire on the date which is five (5) years following the Real Property Commencement Date. The date on which this Lease terminates as to Parcel B shall be referred to as the "PARCEL B TERMINATION DATE."

The Parcel A Termination Date and the Parcel B Termination Date are sometime each referred to as a "TERMINATION DATE." The period between the Real Property Commencement Date and the Improvements Commencement Date shall be referred to as the "PARCEL A TERM." The period between the Improvements Commencement Date and the Parcel A Termination Date shall be referred to as the "IMPROVEMENTS TERM." The period between the Real Property Commencement Date and the Parcel B Termination Date shall be referred to as the "PARCEL B TERM." The Parcel A Term, the Parcel B Term and the Improvements Term are each sometimes referred to as a "TERM."

3. Parcel B Extensions.

In the event Parcel B is improved by agreement of the parties hereto during the Parcel B Term, Company shall have an option to extend the Parcel B Termination Date to the Parcel A Termination Date. Thereafter, Company shall have an option to renew this Lease as to Parcel B, as improved, for two (2) additional five (5) year periods. Company may exercise this option by delivering to TEDE written notice of its intent to do so not later than one hundred eighty (180) days prior to the Parcel B Termination Date or, if Company has exercised its options as described in this Section, the Parcel A Termination Date or the end of any succeeding Option Period, as applicable.

C. POSSESSION.

1. Delivery Date. Provided this Lease is executed on or before November 12, 1997, and subject to TEDE purchasing the property described in recital A.5 by November 28, 1997, TEDE shall deliver possession of the Leased Property complete and ready for occupancy not later than July 10, 1998. If this Lease is not executed as of November 12, 1997, the delivery date shall be automatically extended by one day for each day that elapses between November 12, 1997 and the date of execution hereof. The date on which possession of the Leased Property is scheduled to be delivered to Company pursuant to this Section C.1 hereof shall be referred to herein as the "DELIVERY DATE." TEDE will deliver to Company complete Final Drawings by January 5, 1998. Company will execute these drawings, as corrected by Company, no later than 5 days after being delivered by TEDE to Company.

2. Occupancy Prior to Delivery Date. In order that the Leased Premises will be ready for occupancy by Company no later than the Delivery Date, TEDE hereby authorizes Company to occupy portions of the Leased Property on and after June 15, 1998, for the sole purpose of installing equipment, fixtures and improvements. Company's occupation of the Leased Property under this paragraph shall not constitute acceptance by Company of the Improvements.

3. Delay in Delivery. If for any reason TEDE cannot deliver possession of the Leased Property as of the Delivery Date, TEDE shall pay to Company as liquidated damages for such delay the amount of Three Thousand Two Hundred United States Dollars (US $3,200) for each day that elapses between the Delivery Date and the Improvements Commencement Date, provided, however, that no liquidated damages shall be payable by TEDE for delays unavoidably resulting from Acts of God, such as torrential rains or hurricanes.

D. CONSTRUCTION OF IMPROVEMENTS.

1. Parcel A Improvements. TEDE shall construct, solely within the property limits of the Leased Property, and to the extent of the related appendices the following improvements: street pavements, curbs and gutters, street lighting and utilities, including a solution to provide sanitary sewers storm drainage, electricity, telephone and water services

within the streets or adjacent to the Leased Property, pursuant to the _________________ plans and all requirements of the competent governmental agency that has jurisdiction over the Real Property. TEDE shall commence construction no later than the Real Property Commencement Date, and shall proceed with reasonable diligence to cause the Improvements to be Substantially Completed no later than June 15, 1998 (provided that such date shall be extended by one day for each day that elapses between November 12, 1997 and the date of execution hereof). The Improvements shall be deemed to be "SUBSTANTIALLY COMPLETED" when they have been completed in accordance with Exhibits C and D hereto, and with any Change Orders agreed to in writing by the parties, except for finishing details, minor omissions, decorations and mechanical adjustments of the type normally found on an architectural "punch list," all of which TEDE shall complete or correct no later than the Delivery Date.

Company shall appoint its own personnel in order to verify the biweekly progress of the construction and that such construction is being executed in accordance with the agreed specifications. In case the Company does not make objections to concluded construction within a fifteen day period, it shall be understood that said construction is executed in compliance with agreed specifications.

Within seven (7) days after the Improvements are Substantially Complete, TEDE and Company shall inspect the Improvements and jointly prepare a "punch list" of agreed items of construction remaining to be completed. TEDE shall complete the items set forth in the punch list as soon as reasonably possible. Company shall cooperate with and accommodate TEDE and its workers in completing the items on the punch list.

Company shall not be allowed to start operations until the building has been delivered and Company has issued an acceptance certificate.

TEDE shall complete the Improvements as defined in this Lease at its sole cost and expense no later than the Delivery Date. Any additions or changes to the Improvements (as defined herein) that result in increased costs and that are requested and approved by Company ("CHANGE ORDERS") shall be the responsibility of Company. Company shall pay to TEDE such increased costs within three (3) days after Company receives and approves the Change Order and the additional costs set forth therein. Prior to executing any Change Order, the parties shall agree in writing regarding any extension or modification of the Delivery Date that may be required as a result of any such Change Order. In the event that any Change Order results in a decrease in the cost of constructing the Improvements, such decrease shall benefit Company to the extent such decrease can be offset against any corresponding increase in cost resulting from any other Change Order. Any Change Order which would increase costs by Ten Thousand United States Dollars (US $10,000) or less shall be approved in writing by Gerard Watts. Any Change Order which would increase costs by more than Ten Thousand United States Dollars (US $10,000) shall be approved in writing by Ron Bennett. Copies of all Change Orders will be supplied to Bruce Spurrell in a timely manner.

2. Refrigeration System. TEDE shall pay up to an amount of US Cy (US $315,000) THREE HUNDRED FIFTEEN THOUSAND DOLLARS 00/00 UNITED STATES OF AMERICA CURRENCY) in the purchase and installation of refrigeration equipment required for the Improvements pursuant to specifications approved by Company on the understanding that it shall be Company's responsibility to perform at its expense the project design and required capacity study as well as the election of the supplier of such equipment, also being in charge of covering and programming its maintenance and pursuing any corresponding warranty claims from suppliers and other service performers involved in works for the adequate installation and operation of such equipment.

3. Parcel B Improvements. During the term of this Lease, TEDE and

Company may agree in writing that TEDE will construct and install certain improvements on Parcel B ("PARCEL B IMPROVEMENTS").

4. Standards. All on-site and off-site improvements constructed pursuant to this Lease shall comply with the plans and specifications therefor as agreed by the parties, and with the laws, ordinances, regulations, orders and requirements of all Governmental Agencies. TEDE warrants and guarantees that TEDE, its contractors, representatives and employees shall comply fully with all pertinent construction, social security, tax and labor laws, and all other applicable laws and regulations.

E. RENT.

1. Payment of Rent. Company shall pay TEDE Rent in advance at the address listed in Recital A.4 hereof, or as directed by TEDE, no later than the third day of each month of the Term. If a Term shall commence on a day other than the first day of a month, the Rent for that first month shall be prorated on a per diem basis and shall be paid within three (3) days of the Commencement Date of such Term. Rent shall be payable in the national currency of the USA.

2. Amount of Rent Payable Monthly.

a. During the Parcel A Term, Company shall pay to Tede Rent with respect to Parcel A in the amount of Five Thousand Four and 26/100 United States Dollars (US $5,004.26), plus value added tax ("PARCEL A RENT"), monthly.

b. Commencing on the Improvements Commencement Date, but in no event earlier than June 15, 1998, and ending on the Parcel A Termination Date, Company shall pay to TEDE Rent with respect to Parcel A and the Improvements in the amount of thirty-eight Thousand Three Hundred ninety-six and 26/100 United States Dollars (US $38,396.26), plus value added tax ("IMPROVED PARCEL A RENT"), monthly.

c. Commencing on the Real Property Commencement Date and ending on the Parcel B Termination Date (as it may be extended), Company shall pay to TEDE Rent with respect to Parcel B in the amount of Two Thousand Six Hundred Three and 74/100 United States Dollars (US $2,603.74), plus value added tax ("PARCEL B RENT"), monthly.

The rent payable with respect to any Parcel hereunder is referred to as "RENT."

3. Adjustments to Rent.

a. Periodic Adjustments.

(1) Improved Parcel A. On the third anniversary of the Real Property Commencement Date, the Improved Parcel A Rent shall be adjusted by the cumulative percentage increase in the United States Consumer Price Index All Items and Major Group Figures for All Urban Consumers ("CPI") during the two years period ending with the second month preceding such anniversary. Thereafter, on each succeeding anniversary of the Parcel A Commencement Date, the Improved Parcel A Rent shall be adjusted by the percentage increase in the CPI during the one year period ending with the second month preceding such anniversary, provided, however, that in no event shall the Improved Parcel A Rent be increased under this Section E.3.a.(1) by more than Five Percent (5%) per annum.

(2) Parcel B. On the second anniversary of the Real Property Commencement Date, the Parcel B Rent shall be adjusted by the cumulative percentage

increase in the United States Consumer Price Index All Items and Major Group Figures for All Urban Consumers ("CPI") during the first year period ending with the second month preceding such anniversary. Thereafter, on each succeeding anniversary of the Parcel B Commencement Date, the Parcel B Rent shall be adjusted by the percentage increase in the CPI during the one year period ending with the second month preceding such anniversary, provided, however, that in no event shall the Parcel B Rent be increased under this Section E.3.a.(1) by more than Five Percent (5%) per annum.

b. Expansion of Parcel A Building. In the event the total floor area of the primary permanent building located on Parcel A is increased so as to exceed the total floor area of such building described on Exhibit C hereto, i.e., 62,640 square feet, the Improved Parcel A Rent shall be increased for each additional square foot of floor space by the then-current Rent Rate under this Lease for each square foot of floor space of said building as shown on Exhibit C.

c. Parcel B Improvements. In the event Parcel B is improved by agreement of the parties hereto, the Parcel B Rent shall be increased upon completion of all Parcel B Improvements, including all related off-site improvements, by the total square footage of the primary building to be located on Parcel B, multiplied by the then-current Rent under this Lease for each square foot of floor space of the building on Parcel A.

4. No Advance Rent. Except for the Security Deposit as hereinafter described, TEDE may not collect any Rent more than one (1) month in advance of the date on which it is due and payable hereunder.

F. SECURITY DEPOSIT. Company shall deposit with TEDE upon execution of this Lease a Security Deposit in the amount of the sum of the Improved Parcel A Rent plus the Parcel B Rent for one and a half months as security for Company's faithful performance of Company's obligations hereunder with respect to Parcel A and the Improvements, and Parcel B, respectively. If Company fails to pay Rent or other charges due hereunder, or otherwise defaults with respect to any provision of this Lease, TEDE may use, apply or retain all or any portion of the Security Deposit for the payment of any Rent or other charge in default or for the payment of any other sum to which TEDE may become obligated by reason of Company's default. At the Parcel B Termination Date, if Company has performed all of Company's obligations hereunder with respect to Parcel B, the portion of the Security Deposit attributable (on the basis of the relative amounts of Rent payable for Parcel B and for Parcel A and the Improvements, if any, at the Parcel B Termination Date) to Parcel B, or so much thereof as has not therefore been applied by TEDE, shall be returned, without payment of interest for its use, to Company after Company has vacated Parcel B, and complied with all its obligations. At the Parcel A Termination Date, if Company has performed all of Company's obligations hereunder with respect to Parcel A and the Improvements, the portion of the Security Deposit attributable (in accordance with the preceding sentence) to Parcel A and the Improvements, or so much thereof as has not therefore been applied by TEDE, shall be returned, without payment of interest for its use, to Company after Company has vacated Parcel A and the Improvements.

G. PERMITTED USES.

1. The Leased Property may be used for any lawful industrial purpose, including, without limitation, the processing of avocado and other food products.

2. Subject to Section H.2 hereof, Company shall comply, at Company's expense, with all laws, ordinances, regulations and requirements of all governmental agencies having jurisdiction over the Leased Property or Company's use thereof ("GOVERNMENTAL AUTHORITIES"). Without limiting the generality of the foregoing, Company shall comply with all

police, fire and sanitary regulations imposed by any Governmental Authority, and shall observe and obey all other governmental requirements governing the conduct of any business conducted in the Leased Property.

3. Company shall not use the Leased Property in any manner that will constitute waste or nuisance or that is liable to cause injury to others.

4. Quiet Enjoyment. Upon Company paying the Rent for the Leased Property and complying with terms and conditions of this Lease, Company shall have quiet possession of the Leased Property for the entire Term subject to all of the provisions of this Lease.

H. MAINTENANCE, REPAIRS AND ALTERATIONS.

1. Company's Repair and Maintenance Obligations.

a. Subject to Section H.2 hereof and except as otherwise provided herein, Company shall, at its expense, keep in good order, condition and repair (except for normal wear and tear) the Leased Property and every part thereof, including any and all plumbing and sewage facilities, heating, air conditioning, ventilating, fixtures, partitions, walls (interior and exterior), floors, ceilings, sinks, roofs, interior and exterior doors, windows and plate glass located within the Leased Property. Company shall not be responsible for any damages, and shall not be responsible for any repairs, caused by any negligent act or omission of TEDE, its employees, agents, invitees, or contractors.

b. Company shall maintain all rubbish and trash areas on the Leased Property in a neat and orderly manner, and shall store trash in such areas only temporarily. All rubbish and trash shall be regularly removed from the Leased Property at Company's expense. Company shall not burn any trash of any kind in or about the Leased Property.

2. TEDE's Repair Obligations.

a. In the event of any structural or manufacturing defect in any of the on-site or off-site improvements made by or for TEDE, TEDE shall, at its expense, within five (5) days following notice thereof (or sooner in the event of an emergency), promptly and diligently start to repair any such defect. Except as provided herein, and subject to section H.1, TEDE shall have no obligation to maintain or repair the Leased Property. TEDE shall make every effort to minimize any disruption of Company's use of the Leased Property as a result of any such defect or the repair thereof. TEDE shall not be responsible for any damages, and shall not be responsible for any repairs, caused by any negligent act or omission of Company, its employees, agents, invitees, or contractors. TEDE shall not be responsible for any damage resulting from TEDE's failure to make any repairs, unless Company has notified TEDE of the need for such repairs, and TEDE has failed to commence and thereafter diligently complete such repairs as required herein.

b. In the event TEDE fails to make the repairs required in paragraph H.2.a. above, Company may, but shall not be required, to make such repairs or cause such repairs to be made. TEDE shall, on demand, immediately pay to Company the actual cost of such repairs. In the event TEDE does not pay such amounts to Company within twenty (20) days following Company's demand, then, at the sole option of Company, Company may deduct from any Rent then or thereafter due and owing to TEDE the cost of such repairs. Company shall provide to TEDE evidence of all expenses for which it seeks reimbursements or on account of which amounts have been deducted from the Rent.

3. Company's Installations, Alterations and Improvements.

a. Installations. Company may, at its expense, install on the Leased Property such trade fixtures, equipment and furniture as it may deem necessary or desirable, provided that such items can be removed without damage to the structural integrity of the Improvements. Said items shall remain the property of Company, and, Company shall remove all such items upon the expiration or earlier termination of this Lease. Company shall, at its sole expense, repair all damage caused by the installation or removal of any trade fixtures, equipment and furniture hereunder.

b. Alterations and Improvements. Company may, at its discretion, make any alterations or improvements it may deem necessary or desirable in, on or about the Leased Property, provided that no such alterations or improvements may be made without the prior written consent of TEDE if such alteration or improvement (i) exceeds Ten Thousand United States Dollars (US $10,000) in cost or (ii) affects the structural integrity of the Improvements. Said alterations and improvements shall remain the property of Company, and Company shall remove all such items upon the expiration or earlier termination of this Lease. Company shall, at its sole expense, repair all damage caused by the installation or removal of any alterations or improvements hereunder.

c. No Outside Sheds. Company may not install any metal sheds or coverings on the exterior of the Improvements without the prior written consent of TEDE.

d. Compliance with Laws. Company shall perform all installations, alterations and improvements in accordance with all applicable laws, ordinances, regulations and orders of any Governmental Authority.

e. Liens and Encumbrances. Company shall keep the Leased Property free and clear of any and all liens and encumbrances arising out of any acts or omissions of Company under this Section. Company shall defend, indemnify and save harmless TEDE from and against any and all actions or proceedings brought to enforce such liens and encumbrances (including reasonable attorneys' fees and expenses). Company, at Company's sole expense, shall procure the satisfaction or discharge of all such liens and encumbrances within thirty (30) days after the filing thereof; provided, however, that if Company shall, in good faith, contest the validity or amount of any such lien, claim or demand, then Company shall, at its sole expense defend itself and TEDE against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof against the TEDE or the Leased Property, upon the condition that if TEDE shall require, Company shall furnish to TEDE a bond satisfactory to TEDE in an amount equal to such contested lien claim or demand indemnifying TEDE against liability for the same and holding the Leased Property free from the effect of such lien or encumbrance. If Company fails to discharge any such lien or encumbrance or to provide a bond therefor as provided herein, TEDE may, at its option, pay all or any part of such lien or encumbrance. In such event, Company shall, on demand, pay to TEDE the amount so paid, together with interest at the rate of twenty percent (20%) per annum from the date of payment of such lien or encumbrance by TEDE through the date of payment by Company to TEDE therefor. The provisions of this Section shall not apply to any acts or omissions of Company arising as a result of the failure of TEDE to perform its repair obligations set forth in Section H.2 hereof.

I. TAXES AND CHARGES.

1. Taxes on Company's Property. Company shall pay, at least ten (10) days prior to delinquency, all income and other taxes attributable to the conduct of Company's business and operations at the Leased Property, including but not limited to the Value Added

Tax.

2. Leased Property Taxes. TEDE shall pay, at least ten (10) days prior to delinquency, to the appropriate taxing authority any and all property and other taxes attributable to the Leased Property and TEDE's income derived from this Lease. TEDE shall not be responsible for any taxes attributable to any personal property or assets of Company which may be located at the Leased Property.

3. Utilities. Company shall promptly pay all charges for all public and other utilities and related services furnished to the Leased Property, including, but not limited to, water, gas, electricity and telephone charges, including installation charges.

J. ASSIGNMENT AND SUBLETTING.

1. By Company. Company shall have the right, upon the prior written consent of TEDE, which shall not be unreasonably withheld, to assign or transfer this Lease or any interest herein, or to sublease Parcel A and the Improvements to, or permit the use of Parcel A and the Improvements by, any individual, corporation or entity. Company shall have the right to sublease Parcel B or to permit the use of Parcel B by, any individual, corporation or entity. Notwithstanding the foregoing, without TEDE's consent but upon ten (10) days notice to TEDE, this Lease may be assigned, or Parcel A and the improvements may be sublet, to any corporation which is a parent, subsidiary or affiliate of Company. In the event of any assignment, transfer or sublease, Company shall remain fully liable for all of its obligations under this Lease or any extension of this Lease. Any and all proceeds to Company as a result of the assignment, transfer or sublease of the Leased Property or any portion thereof shall be the property of, and shall be retained by, Company.

2. By TEDE. TEDE shall have the right to assign and reassign, from time to time, and transfer, from time to time, any or all of the rights and obligations of TEDE in this Lease Agreement or any interest therein, without Company's consent, provided that no such assignment or reassignment shall impair any of the rights of Company herein and provided further that TEDE shall remain liable for all its obligations under this Lease Agreement. In the event of such assignment or reassignment, Company shall not diminish or withhold, unless otherwise agreed upon herein, any of the rents payable hereunder by asserting claims against such assignee, any defense, setoff, or counter claims which Company may have against TEDE or any of its affiliates.

K. DEFAULTS BY COMPANY; REMEDIES.

1. Defaults by Company. The occurrence of any one or more of the following events shall constitute a material default and breach of this Lease by Company:

a. The vacating or abandonment of the Leased Property by Company.

b. The failure by Company to make any payment of Rent as and when due, where such failure shall continue for a period of ten (10) days after written notice thereof from TEDE to Company.

c. The failure by Company to perform obligations required of Company within a reasonable time, but in no event later than 30 days after written notice by TEDE to Company, specifying wherein Company has failed to perform such obligation; provided, however, that if the nature of Company's obligation is such that more than 30 days are required for performance then Company shall not be in default if Company commences performance within such 30 day period and thereafter diligently prosecutes the same to completion.

d. The making by Company of any general arrangement or assignment for the benefit of creditors;

e. The filing of a voluntary petition of bankruptcy by Company, or the filing of an involuntary petition of bankruptcy by Company's creditors, said petition remaining undischarged for a period of sixty (60) days;

f. The appointment of a trustee or receiver to take possession of substantially all of Company's assets located at the Leased Property or Company's interest in this Lease, where possession is not restored to Company within thirty (30) days;

g. The attachment, execution or other judicial seizure of substantially all of Company's assets located at the Leased Property or of Company's interest in this Lease, where such seizure is not discharged within 30 days.

h. The failure of Company to provide insurance during the Term of this Lease as provided in Section T.

2. Remedies. In the event of any such material default or breach by Company, TEDE shall have the right, at its option and in addition to other rights and remedies granted by law, to do either of the following:

a. Terminate this Lease, and re-enter and take possession of the Leased Property; or

b. Reaffirm this Lease and seek specific performance of the terms, covenants, conditions and provisions of this Lease, in which case TEDE shall have the right to declare and collect the entire unpaid balance of rent to the end of the last lease year of the existing Term or extension thereof then in effect and also declare all other sums due to TEDE, immediately due and payable, plus interest at the rate of twenty percent (20%) per annum on said sums from the date of such declaration until paid in full.

3. [Intentionally Deleted]

4. Mitigation of Damages. In the event TEDE re-enters the Leased Property, TEDE shall be obligated to attempt in good faith to lease all or any portion of the Leased Property to other prospective tenants, or otherwise to make beneficial use of the Leased Property, during the remaining balance of the term of this Lease. In the event TEDE re-leases all or some portion of the Leased Property or otherwise makes beneficial use of the Leased Property, any rents received from such other tenant and any value of such beneficial use shall be offset against any damages otherwise due and owing by Company as a result of a breach by Company hereunder. TEDE shall promptly refund to Company that portion, in a month-to-month manner, or as it becomes paid to TEDE from the new Lessee, any Rent pre-paid by Company which is allocable to the period during which the Leased Property or any portion thereof was leased to another tenant or otherwise used in a beneficial manner.

5. TEDE's Right to Cure Defaults. In the event of a default hereunder as described in Section K.1, TEDE may, without any obligation to do so, at any time after ten (10) days following written notice of its intent to do so, provided Company has not commenced to cure such default, cure such breach or default for the account and at the expense of Company.

L. DEFAULT BY TEDE. TEDE shall not be in default unless TEDE fails to perform obligations required of TEDE within a reasonable time, but in no event later than 30 days after

written notice by Company to TEDE, specifying wherein TEDE has failed to perform such obligation; provided, however, that if the nature of TEDE's obligation is such that more than 30 days are required for performance then TEDE shall not be in default if TEDE commences performance within such 30 day period and thereafter diligently prosecutes the same to completion.

M. LATE CHARGES. In the event any amount due and payable by one party to the other hereunder has not been paid in accordance herewith, the owing party's obligation to pay such amount shall bear interest at the rate of twenty percent (20%) annually from the date such payment was due until the date such payment is made by the owing party.

N. SURRENDER; HOLDING OVER.

1. Surrender. On the last day of the Term as to any Parcel, Company shall quit such Parcel and shall surrender such Parcel to TEDE in the same condition as received, ordinary wear and tear excepted, clear and free of debris. Company shall repair any damage to such Parcel occasioned by the installation or removal of its machinery, trade fixtures, furnishings, equipment and improvements. Any furniture or fixtures which may be left in the Leased Property upon Company's vacation thereof shall be deemed abandoned by Company.

2. Holding Over. If Company retains possession of any Parcel after the applicable Termination Date, Company shall pay to TEDE Rent with respect to such Parcel in an amount equal to one hundred twenty-five percent (125%) of the total amount of Rent payable with respect to such Parcel hereunder, using as a base the amount of rent, the amount paid by Company for the month immediately preceding the Termination Date and, in addition thereto, shall pay TEDE for all damages sustained by TEDE by reason of Company's retention of possession of such Parcel until Company has delivered to TEDE such Parcel or until the parties execute a new lease as to such Parcel. This Section shall not be construed as granting Company any right to remain in possession of any Parcel after the Termination Date with respect to any such Parcel.

O. WAIVER OF DEFAULT. No waiver by TEDE or Company of any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach by the other party of the same or any other provision. Either party's consent to, or approval of any act, shall not be deemed to waive or render unnecessary the consent or approval of that party of any subsequent or similar act by the other party.

P. CERTIFICATE. Company shall, at any time upon not less than fifteen (15) days' prior written notice from TEDE, execute, acknowledge and deliver to TEDE a statement in writing (i) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect) and the date to which the Rent is paid in advance, if any, and (ii) acknowledging that there are not, to Company's knowledge, any uncured defaults on the part of TEDE hereunder, or specifying such defaults if any are claimed. Any such statement may be relied upon by any prospective purchaser or lending institution interested in the Leased Property.

Q. [Intentionally Deleted]

R. SUBORDINATION; ATTORNMENT.

1. Subordination. TEDE shall have the right to encumber its interest in this Lease or the Leased Property for any purpose it deems appropriate. Company hereby subordinates its interest in the Leased Property to any such encumbrance, but only on the

condition that each encumbrancer first agrees in writing (in a form acceptable to Company) that, in the event of a foreclosure of same or of any other such action or proceeding for the enforcement thereof, or of any sale thereunder, this Lease will not be barred, terminated, cut off or foreclosed, nor will the rights and quiet possession of Company hereunder be disturbed if Company shall not then be in material default in the payment of Rent or other sums and shall not otherwise be in material default under the terms of this Lease.

a. Company shall, within ten (10) days of receipt of a written request made by TEDE, deliver to TEDE a statement in writing, certifying that this Lease Agreement is unmodified and in full force and effect (or if there have been modifications that the same are in full force and effect as modified); the dates to which the rent and any other charges have been paid in advance and, if that is the case, that TEDE's improvements have been satisfactorily completed. It is intended that any such statement may be relied upon by any person, prospective purchaser or lending institution interested in the Leased Property.

b. Upon notice to Company that TEDE has encumbered its interest herein, no amendment of this Lease that would have the effect of reducing the Rent, decreasing the Term or modifying or negating any substantial obligation shall be effective against such encumbrancer unless such encumbrancer has agreed to such amendment in writing. This limitation shall continue until such encumbrancer delivers notice to Company that such encumbrance has been terminated.

c. In the event any such encumbrancer notifies Company in writing that Company is thereafter required to pay monthly Rent hereunder to such encumbrancer, then Company shall, without any duty of further inquiry, pay each subsequent monthly Rent payment to such encumbrancer until such encumbrancer authorizes Company to pay Rent hereunder to TEDE or another person entitled thereto. The encumbrancer shall not be required to credit any payments made by Company to TEDE following Company's receipt of notice requiring Rent payments to be made to encumbrancer.

d. In the event such encumbrance is foreclosed or judicially enforced, the one who holds the encumbrance or the purchaser upon foreclosure or at the sale under a power of sale shall agree to respect this Lease and accept the performance by Company of its obligations hereunder. Company shall in the event any proceedings are brought for the foreclosure of or in the event of exercise of the power of sale under any mortgage or Trust Deed made by TEDE, its successors or assigns, encumbering the Leased Property or any part thereof, if so requested, attorn to the purchaser upon such foreclosure or sale and recognize such purchaser as the Lessor under this Lease.

S. TEDE'S ACCESS. TEDE and TEDE's authorized representatives shall have the right to enter the Leased Property at reasonable times during Company's regular business hours and in emergencies at all times for the purpose of inspecting the same and making such alterations, repairs, improvements or additions to the Leased Property or to the Improvements as TEDE may deem necessary for the preservation of the structural integrity of the Improvements and for compliance of the Leased Property with applicable requirements of Governmental Authorities. For a period commencing one hundred twenty (120) days prior to the termination of this Lease as to any Parcel, TEDE shall have access to such Parcel for the purpose of showing the same to prospective purchasers, lender, or lessees, and TEDE shall have the right to post any ordinary "For Sale" or "For Lease" signs upon such Parcel. Except in case of emergency, TEDE shall give Company twenty-four (24) hours' notice before entering the Leased Property, and Company shall have the right to accompany any representatives of TEDE and any prospective purchasers, lenders, or lessees. TEDE hereby represents and warrants to Company that none of TEDE, its representatives, employees and agents, and any prospective purchasers, lenders, or lessees shall divulge or reveal to any third party any

proprietary information of Company or any information regarding Company's business or industrial processes.

T. INSURANCE.

1. Company shall maintain in full force and effect during the entire Term, at its own cost and expense, the following policies of insurance with respect to the Leased Property:

a. Comprehensive/Commercial General Liability Insurance protecting both Company and TEDE with a combined single limit for bodily injury and property damages of not less than One Million United States Dollars (US $1,000,000) per occurrence;

b. Standard fire, extended coverage and special extended coverage insurance with loss payable to TEDE and any lender designated by TEDE, including fire, lightning, falling aircraft, smoke, windstorm, earthquake, hail, vehicle damage, volcanic eruption, strikes, civil commotion, vandalism, riot, malicious mischief and flood endorsements, insuring the Leased Property. Such insurance shall be in an amount equal to Three Million United States Dollars (US $3,000,000), which amount shall be adjusted annually by Company with the value approved by TEDE, to reflect then current property replacement values.

c. Business interruption insurance with loss payable to TEDE and/or any lender designated by TEDE, sufficient to cover, for a period not less than one year, all rental obligations of Company under this Lease which would be borne by or due from Company if the Leased Property and Company's business were fully open and operating.

2. Form of Insurance. All insurance required to be carried by Company under Section T.1 shall be in a form approved by the Department of Finance and Public Credit, and shall be written with one or more companies authorized to do business in Mexico. Each such policy shall contain a provision whereby each insurer agrees to give TEDE at least 30 days prior written notice in advance of any cancellation or lapse or the effective date of any reduction in the amounts of insurance. On or before the Commencement Date, Company shall furnish TEDE with certificates evidencing the aforesaid insurance coverage, and renewal certificates shall be furnished to TEDE at least 30 days prior to the expiration date of such insurance.

3. Other Insurance. Each party shall procure and maintain such other insurance covering its own liability and property as it deems necessary or desirable.

4. Waiver of Subrogation. Provided the insurance described in Section T.1 above has been provided, TEDE and Company each hereby release and relieve the other, and waive their entire right to recover damages against the other, for loss or damage to its property arising out of the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of insurance carried or required, or by any deductibles applicable hereto. The parties agree to have their respective property damage insurance carriers waive any right to subrogation that such companies may have against Company or TEDE, as the case may be, so long as the insurance is not invalidated thereby.

U. INDEMNITY.

1. By Company. Company hereby agrees to indemnify TEDE against and save TEDE harmless from any and all claims, damages, losses and costs and any and all expenses, including, without limitation, attorneys' fees, expenses and costs, arising out of or in connection with any negligent act or omission of Company or its contractors, licensees, agents, invitees or employees in connection with Company's use or occupancy of the Leased Property. This Section U.1. shall survive the termination or expiration of the Term or Article Y hereof.

2. By TEDE. TEDE hereby agrees to indemnify Company against and save Company harmless from any and all claims, damages, losses and costs and any and all expenses, including, without limitation, attorneys' fees, expenses and costs, arising out of or in connection with (i) any negligent act of omission of TEDE or its contractors, licensees, agents, invitees or employees in connection with the Leased Property, including, without limitation, negligent acts and omissions of such persons while on or about the Leased Property, and negligent acts or omissions of such persons in connection with any construction or repair made by TEDE on or to the Leased Property after the date hereof, and (ii) any hazardous material present in, on or emanating to or from the Leased Property as of the Real Property Commencement Data. This Section U.2 shall survive the termination or expiration of the Term or Article Y hereto.

3. Limitation of Liability. Except for intentional or negligent acts and omissions of TEDE, its agents, contractors and employees, TEDE shall not be liable for any loss or damage caused by the intentional or negligent acts or omissions of the Company, of occupants of adjacent property, or of the public, or by other causes beyond the reasonable control of TEDE, including, without limitation, any interruption of any utility or other services to the Leased Property.

4. Duration of Indemnity. The provisions of this Article shall survive the termination of this Lease with respect to any damage, injury or death occurring prior to such termination.

V. DAMAGE OR DESTRUCTION.

1. Total Destruction. In the event that all or a substantial part of the Leased Property be damaged or destroyed by fire, act of nature or any other cause, so as to make Company unable to continue the operation of its business on the Leased Premises ("Total Destruction"), TEDE, shall, within 10 (ten) calendar days from such destruction, determine whether the Leased Property can be restored within 3 (three) months and notify Company of said determination. If TEDE determines that the Leased Property cannot be restored within 3 (three) months, either TEDE or Company shall have the right and option to immediately terminate this Lease Agreement, by advising the other thereof by written notice. If TEDE determines that the Leased Property can be restored within said 3 (three) months, TEDE shall, at its own expense, proceed diligently to reconstruct the Improvements and in such event, TEDE shall accept in lieu of rent during the period when Company is substantially deprived of the use of the Leased Property, any insurance proceeds which may be payable pursuant to rental insurance provided for herein above. In the event TEDE notifies Company that TEDE desires to terminate this Lease following such a casualty, Company may, within thirty (30) days after such notice by TEDE, notify TEDE that Company desires to exercise the option to purchase the Leased Property under the terms and provisions of Article Y hereof. If Company notifies TEDE of its desire to exercise the option, TEDE shall, at its own expense, proceed diligently to restore the Leased Property. TEDE shall accept in lieu of Rent during the period when Company is substantially deprived of the use of the Leased Property, any rental insurance proceeds which may be payable to TEDE hereunder.

2. Partial Destruction. In the event the Leased Property is subject to a casualty that does not constitute Total Destruction, TEDE shall repair the Leased Property as soon as reasonably possible and this Lease shall continue in full force and effect, provided that during the period required for such repairs, the Rent shall be prorated baed on the parties' good faith determination of the proportion to which Company's use of the Leased Property is impaired.

3. If TEDE shall be obligated to repair or restore the Leased Property under the

provisions hereof and shall not address such repair or restoration within twenty (20) days after such obligations shall accrue and thereafter diligently pursue such repair or restoration to completion, Company may at Company's option cancel and terminate this Lease by giving TEDE written notice of Company's election to do so at any time prior to the commencement of such repair or restoration. In such event this Lease shall terminate as of the date of such notice. Nothing herein shall limit Company's other rights and remedies hereunder and under applicable law for TEDE's breach.

W. RIGHTS OF WAY.

1. For TEDE. TEDE reserves to itself a right-of-way over and under the Leased Property for installation, repair, replacement and maintenance of all utilities, including, but not limited to, water, gas, telephone, electricity, television or radio antenna system serving the Leased Property. The right of way reserved hereunder shall include reasonable rights of ingress and egress, and the right to erect and maintain required poles and other facilities related to such utilities. The right-of-way reserved hereunder shall not unduly interfere or hinder Company in its normal business operations. Except in case of emergency, TEDE shall provide at least twenty-four hours' prior notice of any entry by TEDE or its representatives onto the Leased Property. TEDE shall consult Company prior to the placement of any poles or other facilities on the Leased Property.

2. For Parcel B. In the event Company surrenders Parcel B to TEDE without at the same time surrendering to TEDE Parcel A, Company shall permit an easement over an area of at least 20 meters for access for Parcel B occupant, as shown in Exhibit C.

X. LIMITATION OF TEDE'S LIABILITY. If TEDE becomes obligated to pay Company a money judgment arising out of any failure by TEDE to perform or observe any of the terms, covenants, conditions or provisions to be performed or observed by TEDE hereunder, Company shall be limited for the satisfaction of said money judgment solely from the assets of TEDE and no other property or assets of the individual partners, directors, officers, or shareholders of TEDE shall be subject to levy, execution or other enforcement procedure whatsoever for the satisfaction of said judgment.

Y. OPTION TO PURCHASE. TEDE hereby grants to Company, as of the date hereof and subject to the terms and conditions set forth herein, (a) the exclusive right and option (hereinafter called the "PARCEL A OPTION") to purchase Parcel A, including without limitation all improvements thereon and all rights appurtenant thereto ("COMPLETED PARCEL A") for the Parcel A Purchase Price, and (b) a separate exclusive right and option (hereinafter called the "PARCEL B OPTION") to purchase Parcel B, including without limitation all improvements thereon and all rights appurtenant thereto ("COMPLETED PARCEL B") for the Parcel B Purchase Price, both upon the terms and conditions set forth herein.

1. Term of the Option. The term ("Term") of each of the Parcel A Option and the Parcel B Option shall commence on the Improvements Commencement Date and shall expire on the expiration of the Term of this Lease with respect to such Parcel as such Term may be extended. As provided elsewhere in this Lease, the Term of this Lease and the options to extend and purchase are as follows:

a. Parcel A - 10 year Lease Term with an option to purchase exercisable only at the end of the term.

b. Parcel B - 5 year Lease Term with a conditional option to extend the Lease Term for two consecutive 5-year periods and with an option to purchase exercisable only at the end of the term.

2. Consideration for the Option. TEDE acknowledges that this Lease is sufficient consideration for the grant of the Option, and that Company would not have entered into this Lease unless it included the Options described in this Article.

3. Purchase Price.

a. The Parcel A Purchase Price shall be the greater of (1) Two Million One Hundred One Thousand Nine Hundred Fifty and No/100 United States Dollars (U.S. $2,101,950.00), and (2) Fair Market Value of Completed Parcel A determined, $2,101,950 plus 25% of the increase in Fair Market Value over the $2,101,950 of Completed Parcel A as of the date on which the Parcel A Option is exercised.

b. The Parcel B Purchase Price shall be the greater of (1) Three Hundred Forty-Eight Thousand Six Hundred Sixty Four and No/100 United States Dollars (U.S. $348,664.00), and (2) Fair Market Value of Completed Parcel B determined, $348,664 plus 25% of the increase in Fair Market Value over the $348,664 of Completed Parcel B as of the date on which the Parcel B Option is exercised.

c. The Fair Market Value of each Parcel shall be determined by a panel of three Experts ("Experts") authorized by the National Banking Commission, one of which shall be selected by each of TEDE and Company ("Company's Expert" and "TEDE's Expert," respectively), and the third of which shall be agreed upon by TEDE's Expert and Company's Expert. TEDE and Company shall appoint TEDE's Expert and Company's Expert no later than fifteen (15) Business Days following delivery by Company to TEDE of notice of Company's intent to exercise the Option. Within fifteen (15) Business Days following the appointment of the second of TEDE's Expert and the Company's Expert, TEDE's Expert and Company's Expert shall appoint the third Expert. No later than thirty (30) days following the appointment of the third Expert, each Expert shall complete its appraisal of the Fair Market Value of the Property. Fair Market Value means the most probable price which a property should bring in a competitive and open market under all conditions requisite of a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and passing of title from seller to buyer under the conditions whereby:

(1) Buyer and seller are typically motivated;

(2) Both parties are well-informed or well advised, and acting in what they consider their own best interests;

(3) A reasonable time is allowed for exposure to the market;

(4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and

(5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concession granted by anyone associated with the sale.

The determinations by the three Experts of the Fair Market Value of the Property shall be compared, and the two determinations which are closes together in amount shall be averaged. The resulting value shall be the Purchase Price.

TEDE shall pay the cost of TEDE's Expert, Company shall pay the cost of Company's Expert,

and TEDE and Company shall each pay half the cost of the third Expert.

4. Exercise of the Option. Provided Company is not then in default under this Lease, Company may exercise the Parcel A Option at any time within five years prior to its expiration and may exercise the Parcel B Option at any time within 5 years prior to its expiration, by giving written notice of exercise to TEDE. The date upon which notice of exercise is given by Company is hereinafter called the "EXERCISE DATE".

5. Investigation During Option Term. Company shall have right, at any time and from time to time during the Term of this Option, to conduct whatever investigations Company thinks appropriate of the Completed Parcel A and Completed Parcel B, including, without limitation: environmental assessments, surveys, studies, inspections and investigations) (collectively, "INSPECTIONS") of such Parcel as shall be deemed necessary, desirable or appropriate by Company. These Inspections may include, but not be limited to, inspection of the soils and geologic conditions and inspection for environmental substances, materials and hazards.

6. Purchase and Sale. Upon exercise of the Parcel A Option or the Parcel B Option in accordance with Section Y.4 hereof, TEDE agrees to sell to Company, and Company agrees to purchase from TEDE, Completed Parcel A or Completed Parcel B, respectively, for the appropriate Purchase Price and upon the terms and conditions set forth in this Agreement.

7. Closing. The Closing of the purchase and sale shall take place through an escrow with a third party. At the Closing, Company shall deliver to TEDE the Purchase Price and TEDE shall deliver to Company the ownership deed executed with a notary public and duly recorded with the local registry of public records and commerce of the City of Uruapan, Michoacan and a letter addressed to Company from legal counsel in Mexico that they have performed a title search going back a sufficient time period so that Company can rely on receiving clear and unobstructed title to the Parcel. The Closing shall occur not later than thirty (30) days after the Exercise Date.

8. TEDE's Covenants. TEDE covenants and agrees as follows:

a. TEDE will not do, or suffer to be done, anything that would adversely affect Completed Parcel A or Completed Parcel B, the uses to which the Parcels may be put, or the value of the Parcels.

b. TEDE shall maintain the Parcels in good condition and repair during the term of the Option, to the extent that it is not Company's obligation under this Lease to so maintain and repair the Property.

9. TEDE's Representations and Warranties. If Company becomes aware that any of TEDE's representations or warranties has been materially breached or is materially misleading, then Company may, in addition to its other rights, at its option, terminate this Article by providing TEDE with written notice within five (5) Business Days of Company becoming aware of such breach or inaccuracy. TEDE shall promptly notify Company in writing if TEDE becomes aware that any of its representations or warranties was not or is no longer true and correct.

Upon any termination of this Article pursuant to this Section Y.9, the Parties shall have no further rights or obligations under this Article; provided, however, that such termination shall not release any Party from any indemnification obligation hereunder which expressly survives the termination of this Article. The termination of this Article shall have no effect on the validity of the remainder of this Lease.

TEDE hereby represents and warrants to Company, as of the date hereof and as of the Close of Escrow:

a. TEDE has incurred no obligation, contingent or otherwise, for any broker's, agent's or finder's commission or fee with respect to the matters provided for in this Section. TEDE shall indemnify, defend and hold Company harmless from and against any claim based on any alleged fact inconsistent with the foregoing warranty and representation contained in this Section Y.9.

b. TEDE shall not, prior to the expiration of the Option, sell, lease or otherwise transfer, or offer to sell, lease or otherwise transfer, any existing or future interest it may have in the Completed Parcel A or Completed Parcel B or any part thereof, to anyone other than Company.

c. This Section and all agreements, instruments and documents herein provided to be executed or to be caused to be executed by TEDE on or before the Close of Escrow will be duly authorized, executed and delivered by and be binding upon TEDE, and TEDE has the capacity and authority to enter into this Article and consummate the transactions herein provided.

d. TEDE's purchase of the Real Property shall meet with all Mexican federal and state environmental regulations and standards. In addition, TEDE shall comply with all such regulations and standards in its work and activities on the Real Property.

e. There are no actions, suits or proceedings pending before any court or governmental department, commission, board, bureau, agency or instrumentality which would materially and adversely affect the current use or value of the Parcels.

f. There will be no service contracts relating to the Parcels as of the Close of Escrow.

10. Company's Representatives and Warranties. If, prior to closing, TEDE becomes aware that any of Company's representations or warranties has been materially breached by Company or is materially incorrect, or that any information or document provided by or on behalf of Company to TEDE is materially incorrect, then TEDE shall have the right to terminate this Article by providing Company with written notice within five (5) Business Days of TEDE becoming aware of such material breach or inaccuracy. Company shall promptly notify TEDE in writing if Company becomes aware on or before the Closing that any of its representatives or warranties was not or is no longer true and correct.

Upon any termination of this Article pursuant to this Section Y.10, (a) Company shall promptly be refunded all other sums deposited into Escrow by Company and any interest accrued on any such sums, (b) Company shall pay any Escrow or Title Company termination fees, and (c) the Parties shall have no further rights or obligations under this Article; provided, however, that such termination shall not release any Party from any indemnification obligation hereunder which expressly survives the termination of this Article. The termination of this Article shall have no effect on the validity of the remainder of this Lease.

Company hereby represents and warrants to TEDE, as of the date hereof, the Closing Date and the Close of Escrow:

a. Company has incurred no obligation, contingent or otherwise, for any broker's, agent's or finder's commission or fee with respect to the matters provided for in

this Article. Company shall indemnify, defend and hold TEDE harmless from and against any claim based on any alleged fact inconsistent with the foregoing warranty and representation contained in this Section Y.10.a.

b. This Article and all agreements, instruments and documents herein provided to be executed or to be caused to be executed by Company are and at the Close of Escrow will be duly authorized, executed and delivered by and binding upon Company, and consummate the transactions herein provided and nothing prohibits or restricts the right or ability of Company to close the transactions contemplated hereunder.

11. [Intentionally Deleted]

12. Survival of Warranties. The covenants, representations and warranties of Parties shall survive the recordation of the Deed and the Close of Escrow, but shall not exceed the term of this Lease.

13. Indemnification. The following indemnification provisions apply only to this Article:

a. Company shall indemnify, defend and hold TEDE and TEDE's affiliates, officers, directors, employees, representatives and agents harmless from and against any and all obligations, liabilities, claims, liens, encumbrances, losses, damages, costs or expenses (collectively, "Claims") incurred by TEDE to third parties that result from any breach of any of Company's representations or warranties or any default by Company under this Article; provided, however, that TEDE's damages recoverable hereunder shall be limited to those damages, costs and expenses actually incurred by TEDE, and shall not include consequential damages, punitive damages, lost profits or similar items.

b. TEDE shall indemnify, defend and hold Company and Company's affiliates, officers, directors, employees, representatives and agents harmless from and against any and all Claims incurred by Company to third parties that result from any breach of any of TEDE's representations or warranties or any default by TEDE under this Article; provided, however, that Company's damages recoverable hereunder shall be limited to those damages, costs and expenses actually incurred by Company, and shall not include consequential damages, punitive damages, lost profits or similar items.

c. Each indemnity provided for under this Article shall cover the costs and expenses of the indemnitee, including, without limitation, reasonable attorneys' fees and expenses, related to any claims, actions, suits or judgments incident to any of the matters covered by such indemnity. The Parties shall cooperate fully with each other to make available to each other any books, records, documents, or other pertinent information within its control which is necessary or pertinent to the defense of any Claims.

14. Casualty and Condemnation. The following casualty and condemnation provisions apply only to this Article. TEDE shall promptly notify Company of any casualty or any condemnation proceeding affecting a portion of Completed Parcel A and Completed Parcel B, the Property and occurring or commencing prior to the Close of Escrow for such Parcel. If, prior to the Close of Escrow, any portion of such Parcel is taken or proposed to be taken by eminent domain, either permanently or temporarily, or any material portion of such Parcel is damaged, Company may elect to: (i) terminate this Article with respect to such Parcel; or (ii) keep this Article in full force and effect, in which case, except as set forth in the following paragraph and provided that the Close of Escrow occurs, Company shall be entitled to any condemnation award or compensation and any insurance proceeds from such condemnation or

casualty relating to such Parcel and the Purchase Price for such Parcel shall not be reduced or adjusted in any manner. Such election shall be made by delivering notice of such election to TEDE and to Escrow Holder within ten (10) Business Days of such casualty or the receipt of notice of the commencement of a condemnation proceeding. Company's failure to elect either (i) or (ii) above within the specified time period shall be deemed to be an election of the action in (ii) above. In the event such casualty or condemnation occurs within ten days before the Closing Date, the Closing Date shall be extended for a reasonable period of time to allow Company to make its election.

In the event of a "TEMPORARY CONDEMNATION", which shall be defined as any condemnation or taking which affects a Parcel or a portion thereof for two (2) years of less, TEDE shall be entitled to any condemnation award attributable to periods prior to the Closing Date, and Company's Rent and other obligations during such periods shall be reduced proportionally for the temporary loss of use.

In the event of a permanent condemnation or casualty affecting a Parcel prior to the Close of Escrow, any awards or proceeds therefrom received by TEDE prior to the Close of Escrow shall be delivered to Escrow Holder and remain in Escrow until the Close of Escrow. If the Close of Escrow does not occur, TEDE shall be entitled to retain all condemnation awards and insurance proceeds.

Upon any termination of this Article pursuant to this Section Y.14, (a) Company shall promptly be refunded all sums deposited into Escrow by Company, and any interest accrued on any such sums, (b) the Parties shall share equally any Escrow or Title Company termination fees, and (c) the Parties shall have no further rights or obligations under this Article; provided, however, that such termination shall not release any party from liability for any breach of this Article occurring prior to such termination and shall not release any Party from any indemnification obligation hereunder which expressly survives the termination of this Article. The termination of this Article shall have no effect on the validity of the remainder of this Lease.

Z. MISCELLANEOUS.

1. Notices. Any notice required or permitted to be given hereunder shall be in writing and be delivered by certified mail. Either party may by notice to the other specify a different address for notice purposes. A copy of all notices required or permitted to be given to TEDE hereunder shall be concurrently transmitted to such party or parties at such addresses as TEDE may from time to time hereafter designate by notice to Company. Any notice given by mail shall be deemed given ten (10) days after the date of mailing thereof.

2. Integration; Amendments. This Lease contains all agreements of the parties with respect to any matter mentioned herein. This Lease may be modified in writing only, signed by the parties in interest at the time of the modification.

3. Recording. In the event this Lease is recorded at the Public registry of Property, Company shall pay all costs of such recordation, including, without limitation, notary fees, charges and taxes required in connection therewith.

4. Attorney's Fees. If either party brings an action to obtain possession of the Leased Property, enforce the terms hereof or declare rights hereunder, the prevailing party in any such action shall be entitled to its reasonable attorney's fees and expenses to be paid by the losing party.

5. Cumulative Remedies. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

6. Binding Effect. Subject to any provisions hereof restricting assignment or subletting by Company and subject to the provisions of Article X, this Lease shall bind the parties, their personal representatives, successors and assigns.

7. Choice of Law. This Lease shall be governed by the laws of Michoacan, Mexico.

8. Language. This Lease shall be executed in English and Spanish. However, in the event of a dispute or an inconsistency regarding interpretation or meaning of this Lease, the Spanish version shall prevail.

9. Consent Not to Be Unreasonably Withheld. Whenever the prior consent or approval of either party, written or otherwise is required as a condition for an act by the other party hereunder, such consent or approval shall not be unreasonably withheld.

10. Further Documents. The parties agree to execute such further documents and writings as may be reasonably required to effectuate the intent hereof.

11. Severability. A determination by a court of competent jurisdiction that any provision of this Lease or any part thereof is illegal or unenforceable shall not cancel or invalidate the remainder of such provision or this Lease, which shall remain in full force and effect.

12. Guaranty. Concurrently with the execution and delivery hereof, Company shall deliver to TEDE a Guaranty of this Lease in the form of EXHIBIT F attached hereto and made a part hereof executed by Calavo Growers of California. Company acknowledges that the delivery of such Guaranty constitutes a material inducement for TEDE's willingness to enter into this Lease.

13. TEDE certifies that the land is free of any contaminants or pollutants and COMPANY accepts both Parcels A & B in clean conditions, and Company agrees to return it in the same manner to TEDE at the end of this Lease or any extension thereof.

IN WITNESS WHEREOF, TEDE and Company have executed or caused to be executed this Lease as of the date first written above.

"TEDE"

/s/ MARIO TERAN DEL RIO
- -----------------------
Mario Teran Del Rio
TEDE, S.A. DE C.V.
LESSOR

"COMPANY"

CALAVO DE MEXICO, S.A. DE C.V.
LESSEE

By /s/ RONALD G. BENNETT 11/21/97

Ronald G. Bennett

By /s/ EGIDIO CARBONE 11/24/97

Egidio Carbone

By /s/ GERARD J. WATTS 11/21/97

Gerard J. Watts

ANEXO "B"

SECCION "A"	SECCION "B"
AREA = 17,806.00 M2	AREA = 22,662.00 M2
(4.4 Acres)	(5.6 Acres)

Area Total de Predio = 40,468.00 m2
(Acres = 10)

Anexo "A"

[GRAPHIC - MAP]

Anexo "B"

[GRAPHIC -- MAP]

Anexo "C"

[GRAPHIC -- MAP]

EXHIBIT D.

PROJECT: CALAVO DE MEXICO
LOCATION: URUAPAN, MICHOACAN, MEXICO.

BUILDING SPECIFICATIONS

ITEM	REMARKS
PRODUCTION BUILDING	
PAD (EARTHWORKS)	40 CM PEBBLE TYPE MATERIAL OVER NATURAL SOIL. INCLUDE A 20 CM TREATMENT OF THE NATURAL SOIL. (THIS STRUCTURE MAY CHANGE ACCORDING TO SOILS STUDY OF THE SITE).
FOUNDATION	REINFORCED CONCRETE.
CONCRETE FLOORS	5" CONCRETE (3000 PSI) WITH STEEL REINFORCEMENT. INCLUDES SATIN SEALER.
METAL STRUCTURE (FRAME)	30 FEET FRAME MINIMUM HEIGHT.
ROOF	SINGLE METAL SHEET KR-18 TYPE 24 G.A. WITH FIBER GLASS BLANKET.
INSULATION FACTOR ROOF	R-19, EXCEPT ON PRE-COOLER AREA (R-30).
SKYLIGHTS	ACRYLIC TYPE. INCLUDED ON APPROX. 10% OF ROOF AREA.
CAT-WALK ON ROOF	970 FEET.
PERIMETRAL MASONRY WALLS	CONCRETE BLOCK, 4' HEIGHT.
PERIMETRAL METAL WALLS	DOUBLE METAL SHEET 26 G.A. WITH 6" FIBER GLASS INSULATION.
INSULATION FACTOR ON WALLS	R-19
PARTITIONS	DOUBLE METAL SHEETS 26 G.A. WITH 6" FIBER GLASS INSULATION.
ILLUMINATION LEVEL	40 FOOT CANDLE ILLUMINATION ON PRODUCTION AREA WITH METAL HALIDE 400 W LAMPS.
GENERAL VENTILATION	6 UNITS (SWAMP COOLERS), 21,000 CFM EACH.
DRIVER & SECURITY AREA	INCLUDED. RESTROOMS INCLUDED.
SPECIAL DOORS: METAL ROLL-UP DOOR 9'*10'	8 UNITS. (7 TRUCK RAMPS + 1 SHOP AREA).
METAL ROLL-UP DOOR 10'*12'	4 UNITS. (2 PRE-COOLERS ENTRANCE + 1 MACHINE ROOM + 1 EXIT TO REAR CANOPY).
FREEZER DOOR 10'*10'	6 UNITS. (2 PRE-COOLER + 4 SHIPPING COOLER).
HIGH-SPEED DOOR 10'*12'	6 UNITS. (4 ENTRANCE TO PRE-COOLER

	AREAS + 2 EXIT TO REAR CANOPY).
EMERGENCY DOORS 4'*7'	3 UNITS.
TRUCK RAMPS: DOCK LEVELERS	7 UNITS. (TRUCK RAMPS).
DOCK SHELTERS	7 UNITS. (TRUCK RAMPS).
ELECTRICAL SUBSTATION 500 KVA	INCLUDED, 480 V.
ELECTRICAL MAIN BREAKER	INCLUDED. POWER ELECTRICAL DISTRIBUTION NOT INCLUDED.
MEZZANINE SHOP AND STAIR	INCLUDED.
FIRE SYSTEM	LOOP WITH HOSES AND CABINETS ACCORDING TO LOCAL FIRE DEPARTMENT.
OFFICES, MAIN ENTRANCE, LUNCH AREA AND RESTROOMS:	
WALLS	MASONRY BLOCKS + BRICKS ON EXTERIOR FACADES.
ROOF	REINFORCED CONCRETE.
FLOORING	CERAMIC TILE INCLUDED.
VIEW OF PRODUCTION AREA FROM OFFICES	INCLUDED.
PHONE LINES	PREPARATION FOR INSTALLING PHONE LINES INTO OFFICES.
ROOF INSULATION	INCLUDED. R11 FACTOR.
WINDOWS	TINTED EXTERIOR WINDOWS.
HVAC	INCLUDED.
OFFICE RESTROOMS	INCLUDED. BASED ON MAXIMUM OCCUPANCY LEVELS FOR OFFICES.
PRODUCTION RESTROOMS	RESTROOMS FOR 150 PEOPLE ACCORDING NATIONAL PLUMBING CODE.
DOORS	INCLUDED. ACCORDING TO SPACES REQUIREMENTS.
CANOPY AREAS:	
CANOPY AREAS	REAR AND FRONT AREAS. COVER WITH SINGLE METAL SHEET. REINFORCED CONCRETE 6" INCHES ON FLOOR.
EXTERIOR AREA:	
CAR PARKING	ASPHALT PAVEMENT. TO 40 (MID-SIZE CAR SPACES OR 19,375 SQFT.
MANEUVERING AREA	REINFORCED CONCRETE 6 INCHES FLOOR, 3000 PSI. AROUND TRUCK RAMPS (10,430 SQFT.)
LANDSCAPE	LANDSCAPING (GARDENING) IN THE FRONT PART OF THE BUILDING OR 7,890 SQFT.
ORNAMENTAL FENCE	MARAN STYLE FENCE, 600 FEET ON MAIN FACADE.
ILLUMINATION EXTERIOR	10 UNITS OF 400 W HIGH PRESSURE SODIUM WALL-PACK.
CONCRETE CONNECTING RAMPS	INCLUDED (7 UNITS).

EXHIBIT D SUPPLEMENT

Subject: Changes to Building Specifications

Security Area (Guard Shack)	-	Intercom system with security, entrance, entrance to storage area with automatic locking system between security, main entrance, and storage entrance accessed by office.
General Ventilation	-	Include exhaust fans to equalize the positive air pressure.
	-	exhaust fans will compensate for the air pressure delivered by the swamp cooler so that the overall pressure in the plant is positive, but not excessive per our original statement.
HVAC	-	Shipping and driver area requires HVAC, but production restroom do not require HVAC. ALL restrooms require venting.
Fencing	-	Chain link with razor wire installed the perimeter of the 4.6 acres to compliment the Maran style fence as previously discussed.
Electronic Gates	-	Entrance and storage accessed from guard shack.
Truck Wells	-	Dock area
Sidewalks	-	Concrete
Drainage	-	strategically located in interior including all coolers and machine room and exterior.
Striping	-	parking lot

EXHIBIT "F"

GUARANTY

WHEREAS, TEDE, S,A. DE C.V., a Mexican corporation (hereinafter, referred to as "LESSOR") is owner of certain real property in the city of Uruapan, Michoacan and CALAVO DE MEXICO, S.A. de C.V.,

WHEREAS, this Guaranty is given by CALAVO GROWERS OF CALIFORNIA (hereinafter referred to as "GUARANTOR") to induce LESSOR to enter into a Lease Agreement, with CALAVO DE MEXICO, S.A. de C.V. a Mexican corporation (hereinafter referred to as "LESSEE"), as stated in corresponding Lease Agreement held between LESSOR and LESSEE, dated November 21, 1997 (Hereinafter referred to as the "Lease Agreement").

NOW, THEREFORE, in consideration of the foregoing, it is agreed:

1. OBLIGATION OF THE GUARANTOR. The GUARANTOR unconditionally guarantees to LESSOR, its successors and assignees, the prompt, full and complete payment and performance to LESSOR of all the conditions, covenants, obligations, liabilities and agreements, of LESSEE as set forth in the Lease Agreement or any extension thereof between LESSOR and LESSEE. This Guaranty extends to and includes any and all interest due or liable to become due, together with all attorney's fees, costs and expenses of collection incurred by LESSOR in connection with any matter covered by this guaranty. The GUARANTOR'S address is:

CALAVO GROWERS OF CALIFORNIA
2530 Red Hill Avenue
Santa Ana, CA. 92705-5542
PH. (714) 223-1111

2. TERM OF GUARANTY. The liability of the GUARANTOR shall continue until payment is made and performance given pursuant to every obligation of the LESSEE now due or hereafter to become due in accordance with the terms of the Lease Agreement or any extension thereof, between LESSOR and LESSEE, and until payment is made of any loss or damage incurred by LESSOR with respect to any matter conserved by this Guaranty shall be irrevocable. Nothing contained herein shall impose upon GUARANTOR any greater or different liability than is or may be imposed on said LESSEE under the Lease Agreement except to pay LESSOR attorney's fees, costs and expenses of collection incurred in proceeding against GUARANTOR Hereunder.

3. CONSENT TO LESSOR ACTS. The GUARANTOR consents, without affecting the GUARANTOR's liability to LESSOR hereunder, That LESSOR may, without notice to our consent of the GUARANTOR, upon such terms as it may deem advisable, to the following:

a. Extend, in whole or in part, by renewal or otherwise, any time of payment or performance on the part of LESSEE, provided for in the Lease Agreement;

b. Release, surrender, exchange, modify, impair, or extend any period or duration, or any time for performance, or payment on the part of LESSEE, required by the Lease Agreement; and

c. Settle or compromise any claim of LESSOR against LESSEE or against any other person, firm or corporation whose obligation is held by LESSOR as security to LESSOR under the Lease Agreement.

The GUARANTOR hereby confirms and affirms any such extension, renewal, release, surrender, exchange, modification, impairment, settlement or compromise and all acts shall be binding upon GUARANTOR who hereby waives all defense, counterclaims or offsets which GUARANTOR might have solely by reason thereof.

4. WAIVER OF GUARANTOR. GUARANTOR Waives:

a. Notice of acceptance of this Guaranty by:

b. Notice of presentment, notice of nonperformance, notice of dishonor and notices of existence, creation or incurring of new or additional indebtedness or obligations, demands for payment or performance or protest of any obligations of LESSEE or LESSOR under the Lease Agreement;

c. Notice of the failure of any person, firm or corporation to pay to LESSOR any indebtedness held by LESSOR as collateral security for any obligation of LESSEE to LESSOR under the Lease Agreement;

d. Any right to require LESSOR to (i) proceed against LESSEE (ii) proceed against or exhaust any security or other lien or right of or held by LESSOR from LESSEE; or (ii) pursue any other remedy in the power of LESSOR whatsoever;

e. Any defense, offsets or claims whatsoever, which LESSEE may have against LESSOR;

f. Any defenses, offsets or claims arising from any governmental action or intervention which wholly or partially frustrates any or all of the purposes for which the Lease Agreement was entered into;

g. Any defects in the perfection of the assignment pledge of the rents by failure to record the Lease Agreement or any instrument or assignment and pledge in the public Registry under Mexican Law.

5. REPRESENTATIONS BY GUARANTOR. GUARANTOR represents and warrants that at the time of execution and delivery of this Guaranty, nothing exists to impair the effectiveness of the liability of GUARANTOR to LESSOR hereunder, or the immediate taking effect of this Guaranty as the sole Agreement between the GUARANTOR and LESSOR with respect to guaranteeing all of LESSEE's obligations to LESSOR under the Lease Agreement.

GUARANTOR further represents and warrants that GUARANTOR is authorized to execute and deliver this Guaranty and that the person executing this guaranty is authorized to execute the same for and on behalf of GUARANTOR.

As an inducement for LESSOR to enter into the Lease Agreement with LESSEE, GUARANTOR agrees to provide LESSOR with GUARANTOR's financial information for disclosure to LESSOR's bank or any lending institutions that is used by LESSOR for assignment of the Lease Agreement. This financial information shall consist of a balance sheet, cash-flow statement and any relative footnotes for the last two fiscal periods, plus any additional information required by the LESSOR financial institution. In addition, GUARANTOR must provide such statements annually for the term of the Lease Agreement. All of the information provided by the LESSOR must remain confidential between the involved parties.

6. REMEDY OF LESSOR. In the event of any default on the part of LESSEE as defined in the Lease Agreement, LESSOR may at its option proceed in the first instance against GUARANTOR, jointly and severally, to collect any obligation covered by this Guaranty, without first proceeding against LESSEE or any other person, firm or corporation and without first resorting to any property at any time held by LESSOR as collateral security.

7. MODIFICATION OF AGREEMENT. The whole of this guaranty is herein set forth and there is no verbal or other written agreement and no understanding or custom affecting the terms hereof. This Guaranty can be remedied only by a written instrument signed by the party to be charged therewith.

8. NON-WAIVER BY LESSOR. The ability of GUARANTOR under this guaranty shall not be affected by the insolvency of LESSEE or LESSOR, at any time or by

the acceptance by LESSOR of security, notes, acceptance, drafts or checks or by assignment, foreclosure or the other dispositions thereof by LESSOR presenting or proving for allowance any secure or unsecured claim or demands or by LESSOR acceptance to any compositions, planned reorganization, settlement, compromise, divided payment or distribution; and GUARANTOR shall not be entitled to claim any right in or benefit by reason of any such composition, plan or reorganization, settlement, compromise, divided payment or distribution, or in by reason of any security held by LESSOR, or the proceeds or other dispositions thereof; unless and until all of said obligations, liabilities and indebtedness, together with interest, attorney's fees and costs due to LESSOR under this Guaranty or under the Lease Agreements, shall have paid in full. Nothing contained in this Agreement shall alter any of the right remedies of LESSOR against LESSEE. GUARANTOR authorizes LESSOR, without notice or demand and without affecting the liability of GUARANTOR hereunder, from time to time to:

a. Renew, compromise, extend, accelerate, or otherwise change the time for payment of, or otherwise change the terms of the indebtedness or any part thereof under the Lease Agreements, including increase or decrease of any amounts due thereunder or any rate of interests specified therein;

b. Take and hold security for the payment of this Guaranty or the indebtedness guaranteed, and exchange, enforce, waive, release, any such security;

c. Apply such security and direct the order or manner of sale thereof, as LESSOR in its discretion may determined and;

d. Release or substitute any one or more of LESSEE or GUARANTOR may assign this Guaranty in whole or in part. GUARANTOR may assign this guaranty in whole or in part, provided that GUARANTOR shall remain liable for its obligations hereunder unless released therefrom by LESSOR or its successors and provided further that GUARANTOR shall first give LESSOR sixty (60) days prior written notice.

9. APPLICABLE LAW. This Guaranty is made in the State of California and the rights and obligations of GUARANTOR hereunder shall be constructed and enforced in accordance with the laws of the State of California. It is hereby expressly understood and agreed by GUARANTOR that in the event a dispute arise as to the performance of the obligations of GUARANTOR pursuant to this guaranty, any action relating to this guaranty agreement shall be instituted and prosecuted in the United States District Court for the Central District of California and each party hereby waives the right to change of venue.

10. MISCELLANEOUS PROVISIONS. GUARANTOR agrees to pay to LESSOR a reasonable attorney's fee and all other costs and expenses which may be incurred by LESSOR in the collection or efforts to collects the indebtedness owed by LESSEE to LESSOR pursuant to the Lease Agreement or in collection or efforts to collect or enforcement at the sums due under this guaranty, provide that if GUARANTOR is the prevailing party in any action or proceeding to enforce this Guaranty or collects any amounts allegedly due hereunder; LESSOR should pay GUARANTOR a reasonable attorney's fee and other costs and expenses which may be incurred by GUARANTOR.

The paragraph headings of this guaranty are not part of this guaranty and shall have no effect upon the construction and interpretation of any part hereof and are inserted herein for convenience only.

In the event that any provisions hereof or any portion of any provisions hereof shall be deemed to be invalid or unenforceable; such invalidity or unenforceability shall not affect any other portion of said provisions or any other provisions herein. All remedies herein conferred upon LESSOR shall be cumulative and no one exclusive of any other remedy conferred herein or by law or equity. Time is of the essence in the performance of each and every obligation herein imposed.

GUARANTOR represents and warrants that it has all requisite power and authority to enter into this Guaranty agreement and that neither the execution or delivery of this Agreement or the consummation hereof nor the performance of the terms hereof will conflict with or result in a breach of the terms, conditions or provisions of or constitute a default under or result in the creation of any lien pursuant to any other agreement of instrument under which GUARANTOR is obligated.

11. ACKNOWLEDGMENT OF ASSIGNMENT. In the event this Guaranty is assigned to a bank or other lending institution, the GUARANTOR shall furnish to such entity a letter stating that the GUARANTOR acknowledges receipt of notice of an assignment by LESSOR of said Guaranty; that said guaranty is in full force and effect; that no changes to the guaranty as originally executed have been made; that the GUARANTOR will not enter into any modification of this guaranty without first obtaining prior written approval thereof from said lender; that said lender may rely solely upon the guaranty with respect to the lender's right to receive the rents in accordance with the terms of the Lease Agreement; and that all payments made thereafter shall be made to the lender or its assigns at such times not in conflict with those permissible under the Lease Agreement, at such places or in U. S. Dollars as directed by the lender or its assigns.

12. NOTICE OR DEFAULT. Notwithstanding any provision to the contrary herein expressed or implied, no claim of default on the part of LESSEE or on the part of

GUARANTOR shall be made hereunder unless and until notice of such defaults has been given to LESSEE as provided in the Lease Agreement and a copy thereof mail to GUARANTOR by first class certified mail, postage prepaid at the address shown on paragraph 1 of this Guaranty.

13. SUCCESSORS BOUND. This Guaranty is binding jointly severally upon GUARANTOR and its legal representatives and successors and shall inure to the benefit of LESSOR, its legal representatives, successors, and assigns.

IN WITNESS WHEREOF, GUARANTOR has signed this Agreement in the city of Calexico, California, United States of America, on the 16th day of the month of December, 1996.

LESSOR	GUARANTOR
TEDE, S.A. DE C.V.	CALAVO GROWERS OF CALIFORNIA
MARIO TERAN DEL RIO PRESIDENT	RONALD G. BENNETT
/s/ MARIO TERAN DEL RIO - ---------------------------- 11/20/97	/s/ RONALD G. BENNETT -------------------------------- 11/20/97
	EGIDIO CARBONE
	/s/ EGIDIO CARBONE -------------------------------- 11/24/97

Exhibit 10.5

BANK OF AMERICA

LEASE INTENDED AS SECURITY

LEASE NUMBER
BANC OF AMERICA LEASING & CAPITAL, LLC 00989-00300

THIS LEASE INTENDED AS SECURITY (this "Agreement") dated as of 9-1, 2000 between BANC OF AMERICA LEASING & CAPITAL, LLC ("Lessor"), a Delaware limited liability company having its chief executive office at 555 California St., 4th Floor, San Francisco, CA 94104, and CALAVO GROWERS OF CALIFORNIA ("Lessee"), a California corporation, having its chief executive office at 2350 Red Hill Avenue, Santa Ana, CA 92705.

1. LEASE AGREEMENT; SCHEDULES. Subject to the terms and conditions hereof, Lessor shall lease to Lessee, and Lessee shall lease from Lessor, the items of personal property (collectively with all attachments and accessories thereto, the "Units") described in one or more schedules (each, a "Schedule"; each Schedule, together with this Agreement as it pertains thereto, a "Lease") which incorporate by reference this Agreement. Each Schedule shall constitute a separate and independent lease and contractual obligation of Lessee. Upon delivery and acceptance by Lessee of each Unit, Lessee shall execute and deliver the Schedule relating to the Unit, with all information required on the Schedule fully completed, identifying and accepting the Unit.

2. TERM OF LEASE; RENTALS. The lease term with respect to any Unit shall consist of an "Interim Term" (if any) and a "Base Term" as specified in the Schedule covering such Unit. Lessee shall pay rent for the Interim Term ("Interim Rent") and for the Base Term ("Base Rent") as specified in the applicable Schedule.

3. NET LEASE; DISCLAIMER OF WARRANTIES. EACH LEASE IS A NET LEASE. ALL COSTS, EXPENSES AND OTHER LIABILITIES ASSOCIATED WITH THE UNITS SHALL BE BORNE SOLELY BY LESSEE. LESSEE'S OBLIGATION TO PAY RENT AND ALL OTHER OBLIGATIONS UNDER ANY LEASE ARE ABSOLUTE AND UNCONDITIONAL, AND NOT SUBJECT TO ANY ABATEMENT, DEFERMENT, REDUCTION, SETOFF, DEFENSE, COUNTERCLAIM OR RECOUPMENT FOR ANY REASON WHATSOEVER. NO LEASE SHALL TERMINATE, EXCEPT AS EXPRESSLY PROVIDED HEREIN, NOR SHALL THE OBLIGATIONS OF LESSEE BE AFFECTED, BY REASON OF ANY DEFECT OR DAMAGE TO, OR ANY DESTRUCTION, LOSS, THEFT, FORFEITURE, GOVERNMENTAL REQUISITION OR OBSOLESCENCE OF ANY UNIT, REGARDLESS OF CAUSE. LESSEE ACKNOWLEDGES THAT LESSOR IS NOT A MERCHANT OR MANUFACTURER, OR AGENT OF ANY SUCH PERSON, OR ENGAGED IN THE SALE OR DISTRIBUTION OF THE UNITS, AND HAS NOT MADE, AND DOES NOT HEREBY MAKE, ANY REPRESENTATION OR WARRANTY AS TO MERCHANTABILITY, PERFORMANCE, CONDITION, FITNESS OR SUITABILITY FOR LESSEE'S PURPOSES OF ANY OF THE UNITS, OR MAKE ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE UNITS. LESSOR SHALL NOT BE LIABLE TO THE LESSEE FOR, NOR SHALL LESSEE'S OBLIGATIONS UNDER ANY LEASE BE AFFECTED BY, ANY LOSS, CLAIM, LIABILITY, COST, DAMAGE OR EXPENSE OF ANY KIND CAUSED, OR ALLEGED TO BE CAUSED, DIRECTLY OR INDIRECTLY, BY ANY UNIT, OR BY ANY INADEQUACY OF THE UNIT FOR ANY PURPOSE, OR BY ANY DEFECT IN, THE USE OR MAINTENANCE OF, ANY REPAIRS, SERVICING OR ADJUSTMENTS OF, OR ANY INTERRUPTION OR LOSS OF SERVICE OR USE OF, ANY UNIT, OR ANY LOSS OF BUSINESS, PROFITS, CONSEQUENTIAL OR OTHER DAMAGE OF ANY NATURE. Lessor hereby transfers and assigns to Lessee, to the extent allowable by law, for and during the lease term of each Schedule, a non-exclusive interest in the Unit warranties, if any, of the manufacturer, and hereby authorizes Lessee, when there exists no Event of Default, to enforce such warranties and to obtain at its own expense the customary services furnished by the manufacturer in connection with the Units.

4. USE, MAINTENANCE, LOCATION. Lessee shall use, operate, protect and maintain the Units in good operating order, repair, condition and appearance, and in compliance with all applicable insurance policies, laws, ordinances, rules, regulations and manufacturer's recommended procedures, and shall maintain comprehensive records regarding the Units. The Units shall be used solely for commercial or business purposes, and not for any consumer, personal, home, or family purpose, and shall not be abandoned. Lessee shall not, through modifications, alterations or otherwise, impair the value or originally intended function of any Unit without Lessor's prior consent. Any replacement or substitution of parts, improvements, upgrades, or additions to the Units made by Lessee shall become subject to the Lease and title shall vest in Lessor, except that if no Event of Default exists, Lessee may at its expense remove improvements or additions provided by Lessee that can be readily removed without impairing the value and function of the Unit. If requested by Lessor, Lessee shall cause each Unit to be plainly marked to disclose Lessor's ownership, as specified by Lessor. Lessee shall not change the location or base of any Unit specified in its Schedule without Lessor's prior consent. Lessee shall notify Lessor at least 30 days before changing the location of its chief executive office.

5. LOSS AND DAMAGE. Lessee assumes all risk of, and shall promptly notify Lessor of any occurrence of, any damage to or loss, theft, confiscation or destruction of (together, "Casualty") each Unit from any cause whatsoever from the date the Unit is shipped by the vendor or manufacturer or otherwise made available to Lessee ("Shipment Date"). If any Unit suffers a Casualty from the Shipment Date until the Acceptance Date, Lessee shall pay Lessor any sum required to be paid under any Progress Payment Agreement entered into between Lessor and Lessee in relation to such Unit. If any Unit suffers a Casualty on or after its Acceptance Date, Lessee shall, if the Casualty is damage that is reparable in the judgment of Lessor, at its own expense promptly place the same in good repair, condition or working order, and if the Unit is lost, stolen, confiscated, destroyed or damaged beyond repair ("Total Loss"), on the rent payment date following such occurrence (or, if none, within 30 days) pay Lessor the Balance Due therefor, together with all other amounts owing under the Lease with respect to the Unit. The "Balance Due" for each Unit is, after the Acceptance Date and before the Base Date for such Unit, Lessor's Cost in respect of such Unit, together with

all Interim Rent accrued to the date of payment and all other amounts owing under the Lease, and thereafter, the sum of (i) the present value, as of such payment date, of the entire unpaid balance of all Base Rent for such Unit that would otherwise have accrued under the Lease from such payment date to the end of its scheduled Base Term and (ii) the present value, as of such payment date, of the Purchase Amount therefor as specified in the applicable Schedule, in each case, discounted at the implicit

rate for the Lease reasonably determined by Lessor. Upon such payment, (a) the Lease of such Unit shall terminate and Lessee thereupon shall become entitled to possession of such Unit and (b) Lessee shall become entitled to proceeds of insurance maintained by Lessee. If less than all Units in the applicable Schedule suffer Total Loss, the remaining Base Rent under the Schedule shall be reduced as reasonably calculated by Lessor and notified to Lessee.

6. INSURANCE. Lessee, at its own expense, shall keep each Unit insured against all risks for the value of the Unit and in no event for less than the Balance Due for the Unit, and shall maintain public liability insurance against such risks and for such amounts as Lessor may require. All such insurance shall be in such form and with such companies as Lessor shall approve, shall specify Lessor and Lessee as insureds and shall provide that such insurance may not be canceled as to Lessor or altered in any way that would affect the interest of Lessor without at least 30 days' prior written notice to Lessor (10 days' in the case of nonpayment of premium). All insurance shall be primary, without right of contribution from any other insurance carried by Lessor, shall contain waiver of subrogation and "breach of warranty" provisions satisfactory to Lessor, shall provide that all amounts payable by reason of loss or damage to the Units shall be payable solely to Lessor, unless Lessor otherwise agrees, and shall contain such other endorsements as Lessor may reasonably require. Lessee shall provide Lessor with evidence satisfactory to Lessor of the required insurance upon the execution of any Schedule and promptly upon any renewal of any required policy.

7. INDEMNITIES. (a) Lessee shall indemnify Lessor, its successors and assigns and their respective officers, directors, employees, agents and affiliates ("Indemnified Persons") against all claims, liabilities, losses and expenses whatsoever (except those directly and primarily caused by the Indemnified Person's gross negligence or willful misconduct), including reasonable attorneys' fees and allocated costs of internal counsel (together, "Attorney Costs"), in any way relating to or arising out of this Agreement, the Units or the Leases at any time, or the ordering, acquisition, rejection, installation, possession, maintenance, use, ownership, condition, destruction, return, or disposition of the Units, including such matters based in negligence and strict liability in tort, environmental liability, statutory liability, or infringement.

(b) Lessee shall pay or reimburse Lessor and its successors and assigns on demand for, and indemnify and hold harmless Lessor from, all taxes, assessments, fees and other governmental charges paid or required to be paid by Lessor or Lessee in any way arising out of or related to the Units or the Leases, before, during or after the lease term, including foreign, Federal, state, county and municipal fees, taxes and assessments, and property, value-added, sales, use, gross receipts, excise, stamp and documentary taxes, and all related penalties, fines, additions to tax, and interest charges (together, "Impositions"), excluding only Federal and state taxes based on Lessor's net income, unless such taxes are in lieu of any Imposition Lessee would otherwise be required to pay hereunder. Lessee shall timely pay any Imposition for which Lessee is primarily responsible under law and any other Imposition not payable or not paid by Lessor, but Lessee shall have no obligation to pay any such Imposition that Lessee is contesting in good faith and by appropriate legal proceedings, the nonpayment of which does not, in the opinion of Lessor, result in a material risk of adverse effect on the title, property, use, disposition or other rights of Lessor with respect to the Units. Lessee shall furnish on Lessor's request proof of payment of any Imposition paid by Lessee.

8. RETURN OF UNITS. Upon any termination or expiration of the lease term with respect to any Unit, subject to any Lessee purchase of the Unit pursuant to the applicable Schedule, Lessee shall, at its own expense, prepare and adequately protect the Unit for shipment and either surrender it to Lessor in place or, if instructed by Lessor, ship the Unit to Lessor, freight and insurance pre-paid, at a place reasonably designated by Lessor, in the condition required under Section 4 hereof and under the applicable Schedule, and able to be put into immediate service and to perform at manufacturer's rated levels (if any), together with all related manuals, documents and records. If Lessee does not so surrender or return a Unit to Lessor, in addition to all other rights and remedies available, at Lessor's election, such Unit shall continue to be subject to all the terms and conditions of the Lease, with rent and other charges continuing to accrue and be payable under the Lease with respect to such Unit until it is so surrendered or returned to Lessor, except that Base Rent shall accrue, payable on demand, at the rate of 150% of the rate applicable in the last period for which Base Rent was payable.

9. EARLY TERMINATION. (a) Upon any rent payment date relating to a Lease, and no less than 30 days' irrevocable notice to Lessor, from and after the expiry of one-half of the applicable Base Term, provided no Event of Default exists, Lessee shall have the option to terminate the Lease with respect to all and not less than all Units covered thereby by purchasing the Units "as is and where is" without warranties or representations of any kind, express or implied, for a purchase price equal to the Balance Due plus all other amounts owing with respect to the Units, plus early termination charges in the amount set forth in paragraph (b) below. The purchase price of the Units and any early termination charge shall be paid in immediately available funds at the time of exercising such option.

(b) Upon any termination of the Lease before the scheduled expiration of the Base Term, due to the exercise of any early termination option, a Casualty or a default, in addition to all other amounts to be paid by Lessee, Lessee shall pay Lessor an amount (the "Make-Whole"), equal to the greater of (A) the amount (not less than zero) that must be added thereto in order that the Make-Whole plus the Balance Due on the early termination date is equal to the sum of the present values (using discount rates per annum for each obligation equal to the Formula Yield (as defined below) as of the early termination date of (x) all remaining installments of Base Rent and (y) the Purchase Amount (collectively, the "Discounted Payments"), or (B) an amount equal to 2% times the Balance Due.

"Formula Yield" for each obligation shall mean, as of any date of determination, the rate, as published by Telerate Systems, Inc. or other source, for United States Government Treasury obligations of maturities corresponding to the weighted average life, rounded to the second decimal place, of the Discounted Payments. If no maturity exactly corresponds to such rounded weighted average life for such obligation, yields of the two most closely corresponding published maturities shall be calculated pursuant to the foregoing sentence and the Formula Yield shall be interpolated from such yields on a straight-line basis.

10. LESSEE REPRESENTATIONS AND AGREEMENTS. Lessee represents, warrants and agrees as follows:

(a) Lessee has duly authorized the execution, delivery and performance of this Agreement, each Schedule, and all other documents contemplated hereby, which are, or upon signing, will be, binding on Lessee and do not contravene any other

instrument or agreement to which Lessee is party.

(b) Lessor has and shall at all times continue to have a perfected security interest in the Units and the other Collateral, subject to no prior liens or security interests, to secure the obligations specified in Section 17(g) of this Agreement.

11. PERSONAL PROPERTY. The Units shall remain personal property at all times, notwithstanding the manner in which they may be attached or affixed to realty, and title shall at all times continue in Lessor. Lessee shall obtain and record such instruments and take such steps as may be necessary (a) to prevent any person from acquiring any right or lien in or on any Unit, whether by reason of such Unit being deemed to be attached to real or other property, or otherwise, and (b) to ensure Lessor's right of access to and removal of the Unit, in accordance with the Lease.

12. DEFAULT AND REMEDIES. (a) Each of the following is an "Event of Default" hereunder and under any and all Leases then in effect: (1) Lessee fails to pay within five days of the day when due any installment of rent or other sum owing by Lessee under any Lease; (2) Lessee fails to maintain insurance in respect of any Unit as required, or sells, leases, subleases, assigns, conveys, encumbers or suffers to exist any lien or charge against, any Unit without Lessor's prior consent, or any Unit is subjected to levy, seizure or attachment; (3) Lessee fails to perform and comply with any other covenant or obligation under any Lease, or any progress payment, assignment, security or other agreement related to any Lease or Unit (together, "Related Agreements") and, if curable, such failure continues for 30 days after written notice thereof by Lessor to Lessee, (4) any representation, warranty or other written statement made to Lessor in connection with this Agreement, any Lease, Related Agreement, or any guaranty, by Lessee or any person providing such guaranty ("Guarantor"), including financial statements, proves to have been incorrect in any material respect when made; (5) Lessee (x) enters into any merger or consolidation with, or sells or transfers all, substantially all or any substantial portion of its assets to, or enters into any partnership or joint venture other than in the ordinary course of business with, any entity, (y) dissolves, liquidates or ceases or suspends the conduct of business, or ceases to maintain its existence, or (z) enters into or suffers any transaction or series of transactions as a result of which Lessee is directly or indirectly controlled by persons or entities not affiliates of Lessee as of the date of this Agreement; (6) Lessee undertakes any general assignment for the benefit of creditors or commences any voluntary case or proceeding for relief under the Bankruptcy Code, or any other law for the relief of debtors, or takes any action to authorize or implement any of the foregoing; (7) the filing of any petition or application against Lessee under any law for the relief of debtors, including proceedings under the Bankruptcy Code or for the subjection of property of Lessee to the control of any court, receiver or agency for the benefit of creditors if such petition or application is consented to by Lessee or not dismissed within 60 days from the date of filing; (8) any payment default or other event of default occurs under any other bilateral or multi-lateral lease, or credit, or other agreement or instrument to which Lessee and Lessor or any affiliate of Lessor are now or hereafter party; (9) any payment default or other event of default occurs under any other lease, or credit, or other agreement or instrument or any combination thereof to which Lessee is now or hereafter party and under which there is outstanding (on a present value basis for all future rent, in the case of leases), owing or committed an aggregate amount greater than $100,000.00; (10) the repudiation of or breach or default under any guaranty relating to any Lease; or (11) the occurrence of any event described in clauses (5), (6), (7), (8) or (9) of this Section with reference to "any Guarantor" in lieu of "Lessee", or any Guarantor dies.

(b) Upon the occurrence of an Event of Default, and in addition to all other rights and remedies provided herein or under law, all of which rights and remedies are cumulative and not exclusive, Lessor may: (i) proceed by appropriate court action or actions, either at law or in equity, to enforce performance by Lessee of the applicable covenants under any or all Leases, and (ii) terminate any and all Leases, whereupon (A) Lessee's right to retain possession and use of the Units shall cease, (B) the aggregate Balance Due, together with all other amounts owing under the Leases shall be immediately due and payable, and (C) Lessor may pursue any and all remedies available to it under applicable law, including as a secured party under the Uniform Commercial Code. Lessor may also recover from Lessee all Attorney Costs in the amount of 15% of all amounts due on or after the time of such breach or default (but not to exceed the amount actually incurred).

(c) The exercise or partial exercise of, or failure to exercise, any remedy shall not restrict Lessor from further exercise of that remedy or any other remedy otherwise available. To the extent permitted by applicable law, Lessee waives any right to require Lessor to sell, release or otherwise use or dispose of any Units or otherwise mitigate Lessor's damages, or that may otherwise limit or modify any of Lessor's rights or remedies.

13. ASSIGNMENT, ETC. (a) Lessor (and any subsequent assignee) may assign or transfer any or all of Lessor's interest in any Lease, Unit or rentals therefrom without notice to Lessee. Lessee agrees that the rights of any assignee shall not be affected by any breach or default of Lessor or of any prior assignee. Lessee further agrees that (i) no such assignee shall be required to assume any of the obligations of Lessor under any Lease except the obligation in respect of the application of any insurance monies received by such assignee, as provided above, and the obligation of non-interference as provided below, and (ii) any assignee expressly assuming the obligations of Lessor shall thereupon be responsible for Lessor's duties under the applicable Lease accruing after any such assignment and Lessor shall be released from such duties. Lessor may disclose to any potential or actual assignee or transferee any information regarding Lessee, any Guarantor and their affiliates.

(b) LESSEE SHALL NOT ASSIGN, PLEDGE, HYPOTHECATE OR IN ANY WAY DISPOSE OF ALL OR ANY PART OF ITS RIGHTS OR OBLIGATIONS UNDER ANY LEASE, OR ENTER INTO ANY SUBLEASE OF ANY UNIT, WITHOUT LESSOR'S PRIOR CONSENT.

14. FINANCIAL AND OTHER DATA. (a) During the term of any Lease, Lessee shall (i) maintain books and records in accordance with generally accepted accounting principles ("GAAP") and prudent business practice, (ii) promptly and in no event later than 120 days after each fiscal year end furnish Lessor annual audited financial statements of Lessee and of any Guarantor, prepared in accordance with GAAP consistently applied, together with an unqualified opinion of an independent auditor, and (iii) at Lessor's request, furnish Lessor all other financial information and reports reasonably requested by Lessor at any time, including quarterly or other interim financial statements of Lessee and of any Guarantor. Lessee shall furnish such other information as Lessor may reasonably request at any time concerning Lessee, Guarantor and their respective affairs, or any Unit. Lessee shall

promptly notify Lessor of any Event of Default or event or circumstance which, with notice, lapse of time or both, would be an Event of Default.

(b) Lessee represents and warrants that all information furnished and to be furnished by Lessee or any Guarantor to Lessor is accurate, and that all financial statements Lessee or any Guarantor has furnished and hereafter may furnish to Lessor reasonably reflect and will reflect, as of their respective dates, results of the operations and the financial condition of Lessee, such Guarantor or other entity they purport to cover.

(c) Credit and other information regarding Lessee, any Guarantor or their affiliates may be shared by Lessor with its affiliates and agents.

15. INSPECTION; NON-INTERFERENCE. (a) Lessor, its agents and employees shall have the right to enter any property where any Unit is located and inspect any Unit, together with its related books and records, at any reasonable time. Such right shall not impose any obligation on Lessor.

(b) So long as no Event of Default exists, Lessor shall not, and each direct or indirect assignee or transferee of Lessor agrees that it shall not, interfere with the rights of use and enjoyment of the Units by Lessee.

16. OTHER CHARGES; APPLICATION. If Lessee fails to pay within ten days of the date due any amount of regularly scheduled Interim Rent or Base Rent, Lessee shall pay a late charge equal to five percent (5%) of the amount not timely paid. Lessee shall pay interest at the per annum rate equal to the lesser of (a) 15% or (b) the highest rate permitted by applicable law ("Default Rate") on (i) any sum other than regularly scheduled Interim Rent and Base Rent owing under any Lease and not paid when due, and (ii) any Balance Due not paid when due. Payments received under any Lease will be applied, first, to interest, fees and other amounts owing, other than Interim Rent or Base Rent, then to Interim Rent or Base Rent, in order of Acceptance Date.

17. MISCELLANEOUS. (a) Lessee's indemnity and reimbursement obligations, including under Section 7, shall survive the termination or cancellation of any Lease or this Agreement.

(b) At Lessor's request, Lessee shall execute, deliver, file, and record such financing statements and other documents, agreements and instruments as Lessor shall deem necessary or advisable to protect Lessor's interest in the Units and to effectuate the purposes of any Lease and the Related Agreements. Lessee hereby irrevocably appoints Lessor as Lessee's agent and attorney-in-fact for Lessee, coupled with an interest, (i) to execute, deliver, file, or record any such item, and to take such action for Lessee and in Lessee's name, place and stead, and (ii) to enforce claims relating to the Units against insurers, vendors and other persons, and to make, adjust, compromise, settle, and receive payment under such claims; without any obligation to do so.

(c) Time is of the essence.

(d) The invalidity of any portion of this Agreement, any Schedule or Related Agreement shall not affect the force and effect of the remaining valid portions thereof. The term "including" is not limiting. The term "affiliate" includes any entity controlling, controlled by or under common control with the referent entity; "control" includes the ownership of 25% or more of the voting stock of any entity. The term "guaranty" includes any guaranty, surety instrument, indemnity, "keep-well" agreement, or other instrument or arrangement providing third party credit support to Lessor relating to any Lease or Unit.

(e) This Agreement, the Schedules, the approval letter by Lessor dated N/A, 19__ in relation hereto and any replacement or successor letter thereto (together, the "Approval Letter") and the Related Agreements, constitute the entire agreement between the parties with respect to the leasing of the Units. Any amendment to such documents must be made in writing and signed by the parties hereto or thereto. Such documents may be executed in one or more counterparts. Where multiple counterpart originals of any Schedule exist, only the counterpart marked "Lessor's Copy" shall be deemed chattel paper and evidence a monetary obligation of Lessee.

(f) All demands, notices, requests, consents, waivers and other communications under the Agreement, any Lease, the Approval Letter, or any Related Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or three business days after being deposited in the mail, first class postage prepaid, or the business day after delivery to an express carrier, charges prepaid, or when sent by facsimile transmission (with electronic confirmation of receipt), addressed to each party at the address or fax number set forth below the signature of such party on the signature page, or at such other address or fax number as may hereafter be furnished in writing by such party to the other.

(g) (i) To secure the payment and performance of its obligations under the Lease relating to such Unit and the repayment of any advances, with interest and fees, made by Lessor on account of the Unit, and (ii) as a separate grant of security, to secure the payment and performance of its obligations under all other Leases and all other lease, loan or other obligations owing by Lessee to Lessor, in each case, now existing or hereafter arising, Lessee hereby grants to Lessor a security interest in all Lessee's right, title and interest in and to each Unit, together with (A) all attachments, accessories and accessions to, and substitutions and replacements for, the Unit, (B) all rights to chattel paper arising from the Unit, (C) all insurance, warranty and other claims against third parties with respect to the Unit (including claims for rent upon any lease of the Unit), (D) all software and other intellectual property rights used or useful in connection therewith, (E) all proceeds of any of the foregoing, including insurance proceeds, and (F) all books and records pertaining to any of the foregoing, in each case, now existing or hereafter arising and including,

with respect to clause (ii) of this subsection, Units as to which Lessee has satisfied its end of term purchase obligation under the applicable Schedule (together, the "Collateral").

(h) To the extent specified in any Approval Letter, Lessee shall reimburse Lessor upon demand for costs and expenses incurred by Lessor in connection with the execution and delivery of this Agreement and the other documents contemplated hereby.

Lessee shall reimburse Lessor on demand for all costs and expenses, including Attorney Costs, incurred in connection with any amendment of any Lease or related document requested by Lessee, or any waiver.

(i) THIS AGREEMENT, EACH SCHEDULE AND (UNLESS OTHERWISE SPECIFIED THEREIN) THE RELATED AGREEMENTS SHALL BE GOVERNED BY AND CONSTRUED ACCORDING TO THE INTERNAL LAWS OF THE STATE OF GEORGIA, TO THE NON-EXCLUSIVE JURISDICTION OF THE COURTS OF WHICH, AND THE FEDERAL COURTS LOCATED THEREIN, THE PARTIES HERETO SUBMIT.

(j) LESSOR AND LESSEE EACH WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER AGAINST THE OTHER ON ANY MATTER HOWEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH ANY LEASE ON THE UNITS.

IN WITNESS WHEREOF, Lessor and Lessee have executed this Agreement as of the date first above written.

BANC OF AMERICA LEASING & CAPITAL, LLC (Lessor)	CALAVO GROWERS OF CALIFORNIA (Lessee)	
By: /s/ P. Wesley Yount III	By: /s/ Scott H. Runge	/s/ EGIDIO CARBONE
Printed Name: P. Wesley Yount III	Printed Name: Scott H. Runge	Egidio Carbone
Title: Vice President	Title: Treasurer	Vice President
Address: 2059 Northlake Pkwy.	Address:	2530 Red Hill
4th Floor		Santa Ana, Calif
Tucker, GA 30084		
Facsimile: 770-723-2121	Facsimile:	565-223-1112

BANK OF AMERICA

BANC OF AMERICA LEASING & CAPITAL, LLC — SCHEDULE TO LEASE INTENDED AS SECURITY — SCHEDULE NUMBER 001

This Schedule ("Schedule"), dated as of SEPTEMBER 1, 2000 between BANC OF AMERICA LEASING & CAPITAL, LLC ("Lessor") and CALAVO GROWERS OF CALIFORNIA ("Lessee") is executed pursuant to Lease Intended as Security Number 00989-00300 dated SEPTEMBER 1, 2000 incorporated in this Schedule by this reference (the "Lease Agreement"). Unless otherwise defined in this Schedule, capitalized terms used in this Schedule have the respective meanings assigned to such terms in the Lease Agreement. If any provision of this Schedule conflicts with any provision of the Lease Agreement, the provisions contained in this Schedule shall prevail. Lessee hereby authorizes Lessor to insert the serial numbers and other identification data of the Units, dates, and other omitted factual matters or descriptions in this Schedule.

1. DESCRIPTION OF UNITS. The Units subject to this Schedule ("Units"), which have a cost to Lessor ("Lessor's Cost") in the aggregate of 42,331.05, inclusive of taxes, shipping, installation and other related expenses, if any ("Soft Costs"), are as follows:

QUANTITY	DESCRIPTION	SERIAL NUMBER	LESSOR'S COST (INCLUDING SOFT COSTS)
12	Latitude CPIS500GT, 14.1 TFT. US		$35,936.16
10	Advanced Port Replicator w/Monitor Stand		2,930.20
	Shipping & Handling		420.00
	Capitalized Tax		3,044.69

2. ACCEPTANCE. Lessee acknowledges and represents that the Units (a) have been delivered to and received and inspected by Lessee, (b) are in good operating order, repair, condition and appearance, (c) are of the manufacture, design and capacity selected by Lessee and are suitable for the purposes for which the Units are leased, and are acceptable and satisfactory to Lessee, (d) do not require any additions or modifications to make them suitable for use, other than ancillary modifications or additions normally made by lessees of similar assets, and are available for use and lease by Lessee and Lessor, and (e) have been irrevocably accepted as "Units" leased by Lessee under this Schedule as of the date written below (the "Acceptance Date").

3. TERM. The term of the Lease for any Unit is for an "Interim Term" (if any) beginning on the date of funding by Lessor as to the Unit, and continuing through and including the day preceding the Base Date; and for a "Base Term" of THIRTY-SIX (36) months, beginning on the first to occur of the 5th day of the calendar month during or following the last date of funding as to the Units (the "Base Date").

4. RENTAL. Interim Rent shall be due Lessor for each day in the Interim Term and shall equal the daily equivalent of the initial Base Rent. Interim Rent shall be payable on the Base Date. Base Rent shall be payable in advance in THIRTY-SIX (36) consecutive monthly rental installments of $1,353.31 each, the first Base Rent installment being payable on the Base Date and the remaining Base Rent installments being payable on the same day of each succeeding month.

5. LOCATION OF UNITS. The Units will be located or, in the case of mobile equipment, principally based at 2350 Red Hill Avenue. Santa Ana, CA 92705.

6. END OF TERM PURCHASE. At the end of the original Base Term, or within 15 days thereafter, Lessee shall purchase the Units "as is and where is", without representations or warranties of any kind, express or implied, for the cash amount of one dollar ($1.00) ("Purchase Amount").

7. FURTHER REPRESENTATIONS AND AGREEMENTS. Lessee represents, warrants and agrees as follows:

(a) All representations and warranties of Lessee contained in the Lease Agreement are restated as of the Acceptance Date and are true and correct as of such date.

(b) There has been no material adverse change in the operations, business, properties or condition (financial or otherwise) ("Material Adverse Change") of Lessee or any Guarantor since August 25, 2000. There is not pending against Lessee any litigation, proceeding, dispute or claim that may result in a Material Adverse Change as to Lessee or that may call into question or impair Lessee's legal or other ability to enter into and perform its obligations under this Lease.

(c) The operation and maintenance of any Unit in the ordinary course by Lessee do not require the entry into any software or other intellectual property rights agreement with any licensor or other person, except as disclosed to Lessor in writing prior to the Acceptance Date.

BANC OF AMERICA LEASING & CAPITAL, LLC (Lessor)	CALAVO GROWERS OF CALIFORNIA (Lessee)	
By: /s/ P. Wesley Yount III	By: /s/ Scott H. Runge	/s/ EGIDIO CARBONE
Printed Name: P. Wesley Yount III	Printed Name: Scott H. Runge	Egidio Carbone
Title: Vice President	Title: Treasurer	Vice President
	Acceptance Date: 9/1/00	

Exhibit 10.6

BANK OF AMERICA
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BUSINESS LOAN AGREEMENT

This Agreement dated as of 4-20-99, ____, is between Bank of America National Trust and Savings Association (the "Bank") and (the "Borrower").

1. LINE OF CREDIT AMOUNT AND TERMS

1.1 LINE OF CREDIT AMOUNT.

(a) During the availability period described below, the Bank will provide a line of credit to the Borrower. The amount of the line of credit (the "Commitment") is Three Million and 00/100 Dollars ($3,000,000.00).

(b) This is a revolving line of credit providing for cash advances and letters of credit. During the availability period, the Borrower may repay principal amounts and reborrow them.

(c) Each advance must be for at least One Hundred Thousand and 00/100 Dollars ($100,000.00), or for the amount of the remaining available line of credit, if less.

(d) The Borrower agrees not to permit the outstanding principal balance of advances under the line of credit plus the outstanding amounts of any letters of credit, including amounts drawn on letters of credit and not yet reimbursed, to exceed the Commitment.

1.2 AVAILABILITY PERIOD. The line of credit is available between the date of this Agreement and April 30, 2001 (the "Expiration Date") unless the Borrower is in default.

1.3 INTEREST RATE.

(a) Unless the Borrower elects an optional interest rate as described below, the interest rate is the Bank's Reference Rate.

(b) The Reference Rate is the rate of interest publicly announced from time to time by the Bank in San Francisco, California, as its Reference Rate. The Reference Rate is set by the Bank based on various factors, including the Bank's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans. The Bank may price loans to its customers at, above, or below the Reference Rate. Any change in the Reference Rate shall take effect at the opening of business on the day specified in the public announcement of a change in the Bank's Reference Rate.

1.4 REPAYMENT TERMS.

(a) The Borrower will pay interest on April 30, 1999, and then monthly thereafter until payment in full of any principal outstanding under this line of credit.

(b) The Borrower will repay in full all principal and any unpaid interest or other charges outstanding under this line of credit no later than the Expiration Date. Any amount bearing interest at an optional interest rate (as described below) may be repaid at the end of the applicable interest period, which shall be no later than one hundred eighty (180) days after the Expiration Date.

1.5 OPTIONAL INTEREST RATES. Instead of the interest rate based on the Bank's Reference Rate, the Borrower may elect the optional interest rates listed below during interest periods agreed to by the Bank and the Borrower. The optional interest rates shall be subject to the terms and conditions described later in this Agreement. Any principal amount bearing interest at an optional rate under this Agreement is referred to as a "Portion." The following optional interest rates are available:

(a) the IBOR Rate plus 0.75 percentage points.

1.6 LETTERS OF CREDIT.

(a) This line of credit may be used for financing:

   (i) commercial letters of credit with a maximum maturity of 180 days but not to extend more than 180 days beyond the Expiration Date. Each commercial letter of credit will require drafts payable at sight.

(ii) standby letters of credit with a maximum maturity not to extend beyond the Expiration Date.

(iii) The amount of letters of credit outstanding at any one time (including amounts drawn on letters of credit and not yet reimbursed) may not exceed Two Hundred Thousand and 00/100 Dollars ($200,000.00).

(b) The Borrower agrees:

(i) any sum drawn under a letter of credit may, at the option of the Bank, be added to the principal amount outstanding under this Agreement. The amount will bear interest and be due as described elsewhere in this Agreement.

(ii) if there is a default under this Agreement, to immediately prepay and make the Bank whole for any outstanding letters of credit.

(iii) the issuance of any letter of credit and any amendment to a letter of credit is subject to the Bank's written approval and must be in form and content satisfactory to the Bank and in favor of a beneficiary acceptable to the Bank.

(iv) to sign the Bank's form Application and Agreement for Commercial Letter of Credit or Application and Agreement for Standby Letter of Credit.

(v) to pay any issuance and/or other fees that the Bank notifies the Borrower will be charged for issuing and processing letters of credit for the Borrower.

(vi) to allow the Bank to automatically charge its checking account for applicable fees, discounts, and other charges.

2. OPTIONAL INTEREST RATES

2.1 OPTIONAL RATES. Each optional interest rate is a rate per year. Interest will be paid on the last day of each interest period, and on the last day of each month during the interest period. At the end of any interest period, the interest rate will revert to the rate based on the Reference Rate, unless the Borrower has designated another optional interest rate for the Portion. No Portion will be converted to a different interest rate during the applicable interest period. Upon the occurrence of an event of default under this Agreement, the Bank may terminate the availability of optional interest rates for interest periods commencing after the default occurs.

2.2 IBOR RATE. The election of IBOR Rates shall be subject to the following terms and requirements:

(a) The interest period during which the IBOR Rate will be in effect will be no shorter than 30 days and no longer than one year. The last day of the interest period will be determined by the Bank using the practices of the offshore dollar inter-bank market.

(b) Each IBOR Rate Portion will be for an amount not less than Five Hundred Thousand Dollars ($500,000).

(c) The Borrower may not elect an IBOR Rate with respect to any principal amount which is scheduled to be repaid before the last day of the applicable interest period.

(d) The "IBOR Rate" means the interest rate determined by the following formula, rounded upward to the nearest 1/100 of one percent. (All amounts in the calculation will be determined by the Bank as of the first day of the interest period.)

$$\text{IBOR Rate} = \frac{\text{IBOR Base Rate}}{(1.00 - \text{Reserve Percentage})}$$

Where.

(i) "IBOR Base Rate" means the interest rate at which the Bank's Grand Cayman Branch, Grand Cayman, British West Indies, would offer U.S. dollar deposits for the applicable interest period to other major banks in the offshore dollar inter-bank market.

(ii) "Reserve Percentage" means the total of the maximum reserve percentages for determining the reserves to be maintained by member banks of the Federal Reserve System for Eurocurrency Liabilities, as defined in Federal Reserve Board Regulation D, rounded upward to the nearest 1/100 of one percent. The percentage will be expressed as a decimal, and will include, but not be limited to, marginal, emergency, supplemental, special, and other reserve percentages.

(e) Each prepayment of an IBOR Rate Portion, whether voluntary, by reason of acceleration or otherwise, will be accompanied by the amount of accrued interest on the amount prepaid, and a prepayment fee as described below. A "prepayment" is a payment of an amount on a date earlier than the scheduled payment date for such amount as required by this Agreement. The prepayment fee shall be equal to the amount (if any) by which:

(i) the additional interest which would have been payable during the interest period on the amount prepaid had it not been prepaid, exceeds

(ii) the interest which would have been recoverable by the Bank by placing the amount prepaid on deposit in the domestic certificate of deposit market, the eurodollar deposit market, or other appropriate money market selected by the Bank for a period starting on the date on which it was prepaid and ending on the last day of the interest period for such Portion (or the scheduled payment date for the amount prepaid, if earlier).

(f) The Bank will have no obligation to accept an election for an IBOR Rate Portion if any of the following described events has occurred and is continuing:

(i) Dollar deposits in the principal amount, and for periods equal to the interest period, of an IBOR Rate Portion are not available in the offshore dollar inter-bank market; or

(ii) the IBOR Rate does not accurately reflect the cost of an IBOR Rate Portion.

3. FEES AND EXPENSES

3.1 FEES.

(a) UNUSED COMMITMENT FEE. The Borrower agrees to pay a fee on any difference between the Commitment and the amount of credit it actually uses, determined by the weighted average credit outstanding during the specified period. The fee will be calculated at 0.25% per year, payable quarterly in arrears. This fee is due 15 days from the Bank's billing date.

(b) WAIVER FEE. If the Bank, at its discretion, agrees to waive or amend any terms of this Agreement, the Borrower will, at the Bank's option, pay the Bank a fee for each waiver or amendment in an amount advised by the Bank at the time the Borrower requests the waiver or amendment. Nothing in this paragraph shall imply that the Bank is obligated to agree to any waiver or amendment requested by the Borrower. The Bank may impose additional requirements as a condition to any waiver or amendment.

3.2 REIMBURSEMENT COSTS.

(a) The Borrower agrees to reimburse the Bank for any expenses it incurs in the preparation of this Agreement and any agreement or instrument required by this Agreement. Expenses include, but are not limited to, reasonable attorneys' fees, including any allocated costs of the Bank's in-house counsel.

4. DISBURSEMENTS, PAYMENTS AND COSTS

4.1 TELEPHONE AND TELEFAX AUTHORIZATION.

(a) The Bank may honor telephone or telefax instructions for advances or repayments or for the designation of optional interest rates and telefax requests for the issuance of letters of credit given by any one of the individuals authorized to sign loan agreements on behalf of the Borrower, or any other individual designated by any one of such authorized signers.

(b) Advances will be deposited in and repayments will be withdrawn from the Borrower's account number 03724-02990, or such other of the Borrower's accounts with the Bank as designated in writing by the Borrower.

(c) The Borrower indemnifies and excuses the Bank (including its officers, employees, and agents) from all liability, loss, and costs in connection with any act resulting from telephone or telefax instructions the Bank reasonably believes are made by any individual authorized by the Borrower to give such instructions. This indemnity and excuse will survive this Agreement's termination.

4.2 DIRECT DEBIT (PRE-BILLING). The Borrower agrees that the Bank will debit the Borrower's deposit account number 03724-02990, or such other of the Borrower's accounts with the Bank as designated in writing by the Borrower (the "Designated Account") on the date each payment of principal and interest and any fees from the Borrower becomes due (the "Due Date"). Approximately 10 days prior to each Due Date, the Bank will mail to the Borrower a statement of the

amounts that are expected to be due on that Due Date, based on current information (the "Billed Amount"). The Bank will debit the Designated Account for the Billed Amount, regardless of the actual amount due on that date (the "Accrued Amount"). If the Billed Amount debited to the Designated Account differs from the Accrued Amount, the discrepancy will be added or subtracted from the amount due on the next due date. Regardless of any such discrepancy, interest will continue to accrue based on the actual amount of principal outstanding without compounding. The Bank will not pay the Borrower interest on any overpayment. If there are insufficient funds in the Designated Account on the date the Bank enters any debit authorized by this Agreement, the debit will be reversed.

4.3 BANKING DAYS. Unless otherwise provided in this Agreement, a banking day is a day other than a Saturday or a Sunday on which the Bank is open for business in California. For amounts bearing interest at an offshore rate (if any), a banking day is a day other than a Saturday or a Sunday on which the Bank is open for business in California and dealing in offshore dollars. All payments and disbursements which would be due on a day which is not a banking day will be due on the next banking day. All payments received on a day which is not a banking day will be applied to the credit on the next banking day.

4.4 ADDITIONAL COSTS. The Borrower will pay the Bank, on demand, for the Bank's costs or losses arising from any statute or regulation, or any request or requirement of a regulatory agency which is applicable to all national banks or a class of all national banks. The costs and losses will be allocated to the loan in a manner determined by the Bank, using any reasonable method. The costs include the following:

(a) any reserve or deposit requirements; and

(b) any capital requirements relating to the Bank's assets and commitments for credit.

4.5 INTEREST CALCULATION. Except as otherwise stated in this Agreement, all interest and fees, if any, will be computed on the basis of a 360-day year and the actual number of days elapsed. This results in more interest or a higher fee than if a 365-day year is used. Installments of principal which are not paid when due under this Agreement shall continue to bear interest until paid.

4.6 DEFAULT RATE. Upon the occurrence and during the continuation of any default under this Agreement, principal amounts outstanding under this Agreement will at the option of the Bank bear interest at a rate which is 2 percentage point(s) higher than the rate of interest otherwise provided under this Agreement. This will not constitute a waiver of any default.

4.7 INTEREST COMPOUNDING. At the Bank's sole option in each instance, any interest, fees or costs which are not paid when due under this Agreement shall bear interest from the due date at the Bank's Reference Rate plus 2 percentage points. This may result in compounding of interest.

5. CONDITIONS

The Bank must receive any documents and other items it may reasonably require, including but not limited to the following items, in form and content acceptable to the Bank, before it is required to extend any credit to the Borrower under this Agreement.

5.1 AUTHORIZATIONS. Evidence that the execution, delivery and performance by the Borrower and each guarantor of this Agreement and any instrument or agreement required under this Agreement have been duly authorized.

5.2 GOVERNING DOCUMENTS. A copy of the Borrower's articles of incorporation.

5.3 GUARANTY. A guaranty signed by Calavo Foods, Inc. in the amount of Six Million Dollars ($6,000,000).

6. REPRESENTATIONS AND WARRANTIES

When the Borrower signs this Agreement, and until the Bank is repaid in full, the Borrower makes the following representations and warranties. Each request for an extension of credit constitutes a renewed representation:

6.1 ORGANIZATION OF BORROWER. The Borrower is a corporation duly formed and existing under the laws of the state where organized.

6.2 AUTHORIZATION. This Agreement has been duly authorized and is enforceable without conflict with any laws or any other obligation of the Borrower.

6.3 GOOD STANDING. In each state in which the Borrower does business, it is properly licensed, in good standing, and, where required, in compliance with fictitious name statutes.

6.4 LAWSUITS. There is no lawsuit, tax claim or other dispute pending or threatened against the Borrower which, if lost, would impair the Borrower's financial condition or ability to repay the loan, except as have been disclosed in writing to the Bank.

6.5 PERMITS, FRANCHISES. The Borrower possesses all permits, memberships, franchises, contracts and licenses required and all trademark rights, trade name rights, patent rights and fictitious name rights necessary to enable it to conduct the business in which it is now engaged.

6.6 LOCATION OF BORROWER. The Borrower's place of business (or, if the Borrower has more than one place of business, its chief executive office) is located at the address listed under the Borrower's signature on this Agreement.

6.7 YEAR 2000 COMPLIANCE. The Borrower has conducted a comprehensive review and assessment of the Borrower's systems and equipment applications and made inquiry of the Borrowers key suppliers, vendors and customers with respect to the "year 2000 problem" (that is, the inability of computers, as well as embedded microchips in non-computing devices, to properly perform date-sensitive functions with respect to certain dates prior to and after December 31, 1999). Based on that review and inquiry, the Borrower does not believe the year 2000 problem, including costs of remediation, will result in a material adverse change in the Borrower's business condition (financial or otherwise), operations, properties or prospects, or ability to repay the credit. The Borrower has developed adequate contingency plans to ensure uninterrupted and unimpaired business operation in the event of a failure of its own or a third party's systems or equipment due to the year 2000 problem, including those of vendors, customers, and suppliers, as well as a general failure of or interruption in its communications and delivery infrastructure.

7. COVENANTS

The Borrower agrees, so long as credit is available under this Agreement and until the Bank is repaid in full:

7.1 USE OF PROCEEDS. To use the proceeds of the credit only for working capital for operations and seasonal requirements.

7.2 FINANCIAL INFORMATION. To provide the following financial information and statements in form and content acceptable to the Bank, and such additional information as requested by the Bank from time to time:

(a) Within 90 days of the Borrower's fiscal year end, the Borrower's annual financial statements. These financial statements must be audited (with an opinion not qualified in any manner, including not qualified due to possible errors generated by financial reporting and related systems due to the year 2000 problem) by a Certified Public Accountant ("CPA") acceptable to the Bank. The statements shall be prepared on a consolidated basis.

(b) Within 45 days of the period's end, the Borrower's quarterly financial statements. These financial statements may be Borrower prepared. The statements shall be prepared on a consolidated basis.

7.3 WORKING CAPITAL. To maintain on a consolidated basis current assets in excess of current liabilities by at least Five Million Dollars ($5,000,000). This covenant will be calculated at the end of each fiscal quarter, using fiscal year-to-date results.

7.4 TANGIBLE NET WORTH. To maintain on a consolidated basis tangible net worth equal to at least Twelve Million Dollars ($12,000,000).

"Tangible net worth" means the gross book value of the Borrower's assets (excluding goodwill, patents, trademarks, trade names, organization expense, treasury stock, unamortized debt discount and expense, capitalized or deferred research and development costs, deferred marketing expenses, deferred receivables, and other like intangibles) less total liabilities, including but not limited to accrued and deferred income taxes, and any reserves against assets. This covenant will be calculated at the end of each fiscal quarter, using fiscal year-to-date results.

7.5 INDEBTEDNESS TO NET WORTH RATIO. To maintain on a consolidated basis a ratio of Indebtedness to net worth not exceeding 1.50:1.00.

"Indebtedness" means (a) all indebtedness for borrowed money, (b) that portion of obligations with respect to capital leases which is capitalized under GAAP, (c) notes payable and drafts accepted representing extensions of credit, whether or not representing obligations for borrowed money, (d) any obligations for the purchase of property or services that is (i) deferred for more than six (6) months, or (ii) evidenced by a note or similar instruments, and (e) all recourse and all non-recourse indebtedness secured by any lien on any property or asset of the Borrower (whether or not assumed by the Borrower). This ratio will be calculated at the end of each fiscal quarter, using fiscal year-to-date results.

7.6 OTHER DEBTS. Not to have outstanding or incur any direct or contingent liabilities (other than those to the Bank), or become liable for the liabilities of others, without the Bank's written consent. This does not prohibit:

(a) Acquiring goods, supplies, or merchandise on normal trade credit.

(b) Endorsing negotiable instruments received in the usual course of business.

(c) Obtaining surety bonds in the usual course of business.

(d) Liabilities in existence on the date of this Agreement disclosed in writing to the Bank.

7.7 OTHER LIENS. Not to create, assume, or allow any security interest or lien (including judicial liens) on property the Borrower now or later owns, except:

(a) Deeds of trust and security agreements in favor of the Bank.

(b) Liens for taxes not yet due.

(c) Liens outstanding on the date of this Agreement disclosed in writing to the Bank.

7.8 OUT OF DEBT PERIOD. To repay any advances in full, and not to draw any additional advances on its revolving line of credit, for a period of at least 30 consecutive days in each line-year. "Line-year" means the Borrower's fiscal year ending October 31, 1999, and each subsequent one-year period (if any). For the purposes of this paragraph, "advances" does not include undrawn amounts of outstanding letters of credit.

7.9 NOTICES TO BANK. To promptly notify the Bank in writing of:

(a) any lawsuit over Three Hundred Thousand Dollars ($300,000) against the Borrower (or any guarantor).

(b) any substantial dispute between the Borrower (or any guarantor) and any government authority.

(c) any failure to comply with this Agreement.

(d) any material adverse change in the Borrower's (or any guarantors) business condition (financial or otherwise), operations, properties or prospects, or ability to repay the credit.

(e) any change in the Borrower's name, legal structure, place of business, or chief executive office if the Borrower has more than one place of business.

7.10 AUDITS. To allow the Bank and its agents to inspect the Borrower's properties and examine, audit, and make copies of books and records at any reasonable time. If any of the Borrower's properties, books or records are in the possession of a third party, the Borrower authorizes that third party to permit the Bank or its agents to have access to perform inspections or audits and to respond to the Bank's requests for information concerning such properties, books and records.

7.11 COMPLIANCE WITH LAWS. To comply with the laws (including any fictitious name statute), regulations, and orders of any government body with authority over the Borrower's business.

7.12 GENERAL BUSINESS INSURANCE. To maintain insurance as is usual for the business it is in.

7.13 ADDITIONAL NEGATIVE COVENANTS. Not to, without the Bank's written consent:

(a) engage in any business activities substantially different from the Borrower's present business.

(b) liquidate or dissolve the Borrower's business.

(c) enter into any consolidation, merger, or other combination, or become a partner in a partnership, a member of a joint venture, or a member of a limited liability company.

(d) sell, assign, lease, transfer or otherwise dispose of any assets for less than fair market value, or enter into any agreement to do so.

(e) enter into any sale and leaseback agreement covering any of its fixed assets.

(f) acquire or purchase a business or its assets.

7.14 BANK AS PRINCIPAL DEPOSITORY. To maintain the Bank as its principal depository bank, including for the maintenance of business, cash management, operating and administrative deposit accounts.

8. HAZARDOUS WASTE INDEMNIFICATION

The Borrower will indemnify and hold harmless the Bank from any loss or liability directly or indirectly arising out of the use, generation, manufacture, production, storage, release, threatened release, discharge, disposal or presence of a hazardous substance. This indemnity will apply whether the hazardous substance is on, under or about the Borrower's property or operations or property leased to the Borrower. The indemnity includes but is not limited to attorneys' fees (including the reasonable estimate of the allocated cost of in-house counsel and staff). The indemnity extends to the Bank, its parent, subsidiaries and all of their directors, officers, employees, agents, successors, attorneys and assigns. "Hazardous substances" means any substance, material or waste that is or becomes designated or regulated as "toxic," "hazardous," "pollutant," or "contaminant" or a similar designation or regulation under any federal, state or local law (whether under common law, statute, regulation or otherwise) or judicial or administrative interpretation of such, including without limitation petroleum or natural gas. This indemnity will survive repayment of the Borrower's obligations to the Bank.

9. DEFAULT

If any of the following events occurs, the Bank may do one or more of the following: declare the Borrower in default, stop making any additional credit available to the Borrower, and require the Borrower to repay its entire debt immediately and without prior notice. If an event of default occurs under the paragraph entitled "Bankruptcy," below, with respect to the Borrower, then the entire debt outstanding under this Agreement will automatically be due immediately.

9.1 FAILURE TO PAY. The Borrower fails to make a payment under this Agreement when due.

9.2 FALSE INFORMATION. The Borrower (or any guarantor) has given the Bank false or misleading information or representations.

9.3 BANKRUPTCY. The Borrower (or any guarantor) files a bankruptcy petition, a bankruptcy petition is filed against the Borrower (or any guarantor) or the Borrower (or any guarantor) makes a general assignment for the benefit of creditors.

9.4 RECEIVERS. A receiver or similar official is appointed for the Borrower's (or any guarantor's) business, or the business is terminated, or any guarantor is liquidated or dissolved.

9.5 LAWSUITS. Any lawsuit or lawsuits are filed on behalf of one or more trade creditors against the Borrower (or any guarantor) in an aggregate amount of One Million Dollars ($1,000,000) or more in excess of any insurance coverage.

9.6 JUDGMENTS. Any judgments or arbitration awards are entered against the Borrower (or any guarantor), or the Borrower (or any guarantor) enters into any settlement agreements with respect to any litigation or arbitration, in an aggregate amount of One Million Dollars ($1,000,000) or more in excess of any insurance coverage.

9.7 GOVERNMENT ACTION. Any government authority takes action that the Bank believes materially adversely affects the Borrower's (or any guarantor's) financial condition or ability to repay.

9.8 MATERIAL ADVERSE CHANGE. A material adverse change occurs, or is reasonably likely to occur, in the Borrower's (or any guarantor's) business condition (financial or otherwise), operations, properties or prospects, or ability to repay the credit.

9.9 CROSS-DEFAULT. Any default occurs under any agreement in connection with any credit the Borrower (or any guarantor) or any of the Borrower's related entities or affiliates has obtained from anyone else or which the Borrower (or any guarantor) or any of the Borrower's related entities or affiliates has guaranteed.

9.10 DEFAULT UNDER RELATED DOCUMENTS. Any guaranty, subordination agreement, security agreement, deed of trust, or other document required by this Agreement is violated or no longer in effect.

9.11 OTHER BANK AGREEMENTS. The Borrower (or any guarantor) fails to meet the conditions of, or fails to perform any obligation under any other agreement the Borrower (or any guarantor) has with the Bank or any affiliate of the Bank.

9.12 OTHER BREACH UNDER AGREEMENT. The Borrower fails to meet the conditions of, or fails to perform any obligation under, any term of this Agreement not specifically referred to in this Article. This includes any failure or anticipated failure by the Borrower to comply with any financial covenants set forth in this Agreement, whether such failure is evidenced by financial statements delivered to the Bank or is otherwise known to the Borrower or the Bank.

10. ENFORCING THIS AGREEMENT; MISCELLANEOUS

10.1 GAAP. Except as otherwise stated in this Agreement, all financial information provided to the Bank and all financial covenants will be made under generally accepted accounting principles, consistently applied.

10.2 CALIFORNIA LAW. This Agreement is governed by California law.

10.3 SUCCESSORS AND ASSIGNS. This Agreement is binding on the Borrowers and the Bank's successors and assignees. The Borrower agrees that it may not assign this Agreement without the Bank's prior consent. The Bank may sell participations in or assign this loan, and may exchange financial information about the Borrower with actual or potential participants or assignees. If a participation is sold or the loan is assigned, the purchaser will have the right of set-off against the Borrower.

10.4 ARBITRATION.

(a) This paragraph concerns the resolution of any controversies or claims between the Borrower and the Bank, including but not limited to those that arise from:

   (i) This Agreement (including any renewals, extensions or modifications of this Agreement);

   (ii) Any document, agreement or procedure related to or delivered in connection with this Agreement;

   (iii) Any violation of this Agreement; or

   (iv) Any claims for damages resulting from any business conducted between the Borrower and the Bank, including claims for injury to persons, property or business interests (torts).

(b) At the request of the Borrower or the Bank, any such controversies or claims will be settled by arbitration in accordance with the United States Arbitration Act. The United States Arbitration Act will apply even though this Agreement provides that it is governed by California law.

(c) Arbitration proceedings will be administered by the American Arbitration Association and will be subject to its commercial rules of arbitration.

(d) For purposes of the application of the statute of limitations, the filing of an arbitration pursuant to this paragraph is the equivalent of the filing of a lawsuit, and any claim or controversy which may be arbitrated under this paragraph is subject to any applicable statute of limitations. The arbitrators will have the authority to decide whether any such claim or controversy is barred by the statute of limitations and, if so, to dismiss the arbitration on that basis.

(e) If there is a dispute as to whether an issue is arbitrable, the arbitrators will have the authority to resolve any such dispute.

(f) The decision that results from an arbitration proceeding may be submitted to any authorized court of law to be confirmed and enforced.

(g) The procedure described above will not apply if the controversy or claim, at the time of the proposed submission to arbitration, arises from or relates to an obligation to the Bank secured by real property located in California. In this case, both the Borrower and the Bank must consent to submission of the claim or controversy to arbitration. If both parties do not consent to arbitration, the controversy or claim will be settled as follows:

   (i) The Borrower and the Bank will designate a referee (or a panel of referees) selected under the auspices of the American Arbitration Association in the same manner as arbitrators are selected in Association-sponsored proceedings;

   (ii) The designated referee (or the panel of referees) will be appointed by a court as provided in California Code of Civil Procedure Section 638 and the following related sections;

   (iii) The referee (or the presiding referee of the panel) will be an active attorney or a retired judge; and

   (iv) The award that results from the decision of the referee (or the panel) will be entered as a judgment in the court that appointed the referee, in accordance with the provisions of California Code of Civil Procedure Sections 644 and 645.

(h) This provision does not limit the right of the Borrower or the Bank to:

(i) exercise self-help remedies such as setoff;

(ii) foreclose against or sell any real or personal property collateral; or

(iii) act in a court of law, before, during or after the arbitration proceeding to obtain:

(A) an interim remedy; and/or

(B) additional or supplementary remedies.

(i) The pursuit of or a successful action for interim, additional or supplementary remedies, or the filing of a court action, does not constitute a waiver of the right of the Borrower or the Bank, including the suing party, to submit the controversy or claim to arbitration if the other party contests the lawsuit. However, if the controversy or claim arises from or relates to an obligation to the Bank which is secured by real property located in California at the time of the proposed submission to arbitration, this right is limited according to the provision above requiring the consent of both the Borrower and the Bank to seek resolution through arbitration.

(j) If the Bank forecloses against any real property securing this Agreement, the Bank has the option to exercise the power of sale under the deed of trust or mortgage, or to proceed by judicial foreclosure.

10.5 SEVERABILITY; WAIVERS. If any part of this Agreement is not enforceable, the rest of the Agreement may be enforced. The Bank retains all rights, even if it makes a loan after default. If the Bank waives a default, it may enforce a later default. Any consent or waiver under this Agreement must be in writing.

10.6 ATTORNEYS' FEES. The Borrower shall reimburse the Bank for any reasonable costs and attorneys' fees incurred by the Bank in connection with the enforcement or preservation of any rights or remedies under this Agreement and any other documents executed in connection with this Agreement, and in connection with any amendment, waiver, "workout" or restructuring under this Agreement. In the event of a lawsuit or arbitration proceeding, the prevailing party is entitled to recover costs and reasonable attorneys' fees incurred in connection with the lawsuit or arbitration proceeding, as determined by the court or arbitrator. In the event that any case is commenced by or against the Borrower under the Bankruptcy Code (Title 11, United States Code) or any similar or successor statute, the Bank is entitled to recover costs and reasonable attorneys' fees incurred by the Bank related to the preservation, protection, or enforcement of any rights of the Bank in such a case. As used in this paragraph, "attorneys' fees" includes the allocated costs of the Bank's in-house counsel.

10.7 ONE AGREEMENT. This Agreement and any related security or other agreements required by this Agreement, collectively:

(a) represent the sum of the understandings and agreements between the Bank and the Borrower concerning this credit;

(b) replace any prior oral or written agreements between the Bank and the Borrower concerning this credit; and

(c) are intended by the Bank and the Borrower as the final, complete and exclusive statement of the terms agreed to by them.

In the event of any conflict between this Agreement and any other agreements required by this Agreement, this Agreement will prevail.

10.8 INDEMNIFICATION. The Borrower will indemnify and hold the Bank harmless from any loss, liability, damages, judgments, and costs of any kind relating to or arising directly or indirectly out of (a) this Agreement or any document required hereunder, (b) any credit extended or committed by the Bank to the Borrower hereunder, and (c) any litigation or proceeding related to or arising out of this Agreement, any such document, or any such credit. This indemnity includes but is not limited to attorneys' fees (including the allocated cost of in-house counsel). This indemnity extends to the Bank, its parent, subsidiaries and all of their directors, officers, employees, agents, successors, attorneys, and assigns. This indemnity will survive repayment of the Borrower's obligations to the Bank. All sums due to the Bank hereunder shall be obligations of the Borrower, due and payable immediately without demand.

10.9 PRIOR AGREEMENT SUPERSEDED. This Agreement supersedes the Business Loan Agreement entered into as of April 11, 1995 between the Bank and the Borrower, and any credit outstanding thereunder shall be deemed to be outstanding under this Agreement.

This Agreement is executed as of the date stated at the top of the first page.

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION	CALAVO GROWERS OF CALIFORNIA
x /s/ BERTHA G. ROMERO	x /s/ EGIDIO CARBONE Vice President
By: Bertha G. Romero, Vice President	By:
Address where notices to the Bank are to be sent:	x /s/ SCOTT H. RUNGE Treasurer
San Gabriel Valley Commercial Banking Office #01463 15625 E. Stafford St. City of Industry, CA 91744	By:
	Address for Notices:
	2530 Red Hill Avenue Santa Ana, CA 92705

Exhibit 10.7

BANK OF AMERICA

AMENDMENT TO DOCUMENTS

AMENDMENT NO. 2 TO BUSINESS LOAN AGREEMENT

This Amendment No. 2 (the "Amendment") dated as of ________________________, ____, is between Bank of America, N.A. (the "Bank"), formerly Bank of America NT & SA, and Calavo Growers of California (the "Borrower").

RECITALS

A. The Bank and the Borrower entered into a certain Business Loan Agreement dated as of April 20, 1999, as previously amended (the "Agreement").

B. The Bank and the Borrower desire to further amend the Agreement.

AGREEMENT

1. DEFINITIONS. Capitalized terms used but not defined in this Amendment shall have the meaning given to them in the Agreement.

2. AMENDMENTS. The Agreement is hereby amended as follows:

   2.1 In Paragraph 7.6(e) of the Agreement, the amount "TWENTY SIX MILLION FIVE HUNDRED THOUSAND DOLLARS ($26,500,000)" is substituted for the amount "TWENTY THREE MILLION FIVE HUNDRED THOUSAND DOLLARS ($23,500,000)."

3. REPRESENTATIONS AND WARRANTIES. When the Borrower signs this Amendment, the Borrower represents and warrants to the Bank that: (a) there is no event which is, or with notice or lapse of time or both would be, a default under the Agreement except those events, if any, that have been disclosed in writing to the Bank or waived in writing by the Bank, (b) the representations and warranties in the Agreement are true as of the date of this Amendment as if made on the date of this Amendment, (c) this Amendment is within the Borrower's powers, has been duly authorized, and does not conflict with any of the Borrower's organizational papers, and (d) this Amendment does not conflict with any law, agreement, or obligation by which the Borrower is bound.

4. EFFECT OF AMENDMENT. Except as provided in this Amendment, all of the terms and conditions of the Agreement shall remain in full force and effect.

This Amendment is executed as of the date stated at the beginning of this Amendment.

BANK OF AMERICA, N.A.	Calavo Growers of California
x /s/ Eduardo Ordorica	x /s/ EGIDIO CARBONE
By: Eduardo Ordorica Assistant Vice President	By: Egidio Carbone Vice President
	x
	By:

EXHIBIT 10.8

LOAN AGREEMENT

between

RIVERSIDE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

and

CALAVO GROWERS OF CALIFORNIA

Dated as of September 1, 1985

This Loan Agreement and all right, title and interest of the Riverside County Industrial Development Authority (the "Authority") in any payments or revenues derived under this Loan Agreement (other than rights of the Authority under Sections 4.4 and 8.2 hereof) have been assigned and pledged to First Interstate Bank of California, as Trustee under an Indenture of Trust, dated as of September 1, 1985, between the Authority and the Trustee, which secures the Authority's Variable Rate Demand Industrial Development Revenue Bonds (Calavo Growers of California Project) in the principal amount of $4,200,000.

This instrument was prepared by:

O'MELVENY & MYERS
400 South Hope Street
Los Angeles, California 90071-2899
(213) 669-6000

LOAN AGREEMENT

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THIS LOAN AGREEMENT (the "Loan Agreement"), dated as of September 1, 1985, is by and between the RIVERSIDE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY (the "Authority"), a public, corporate instrumentality of the State of California, and CALAVO GROWERS OF CALIFORNIA, (the "Company"), a company organized and existing under the laws of the State of California;

WITNESSETH:

WHEREAS, the California Industrial Development Financing Act of the State of California, California Government Code Sections 91500 et seq., as amended (the "Act"), permits an industrial development authority to issue revenue bonds for the purpose of financing the acquisition, construction and/or rehabilitation of facilities, including both real and personal property suitable for industrial uses such as assembling, fabricating, manufacturing, processing or warehousing activities with respect to any products of agriculture, forestry, mining or manufacture; and

WHEREAS, the Authority is authorized by Ordinance No. 587, duly adopted by the Board of Supervisors of the County of Riverside, California (the "County"), on February 8, 1983, to exercise powers under the Act, including the power to issue bonds for the purpose of acquiring, constructing, improving, furnishing, equipping, repairing, reconstructing, and/or rehabilitating facilities and to enter into and execute this Loan Agreement; and

WHEREAS, the Authority, pursuant to a resolution, duly adopted on March 5, 1985, accepted the Company's application for financial assistance and published notice of such acceptance; and declared its intention to issue approximately $4,200,000 of its Variable Rate Demand Industrial Development Revenue Bonds (Calavo Growers of California Project) and to lend the proceeds therefrom to the Company for the purpose of financing the acquisition, construction and equipping of certain food packing house facilities in the County, (the "Project") secured solely by payments to be made by the Company to the Trustee for deposit into the Revenue Fund, and by an irrevocable letter of credit (the "Letter of Credit") issued by Security Pacific National Bank, a national banking association (the "Bank"), in favor of the Trustee for the benefit of the Owners from time to time of the Bonds; and

WHEREAS, the Board of Supervisors of the County, pursuant to a resolution, duly adopted on March 26, 1985, after notice and public hearing, has approved the issuance and sale of the Bonds for the purpose of financing the Project; and

WHEREAS, the Authority, pursuant to a resolution, duly adopted on September 3, 1985, has approved the issuance and sale of its Variable Rate Demand Industrial Development Revenue Bonds (Calavo Growers of California Project) in the aggregate principal amount of $4,200,000 (the "Bonds") and the loan of the proceeds from the sale of the Bonds to the Company to enable it to acquire,

construct and equip the Project and to pay the costs of issuing the Bonds, pursuant to the terms of this Loan Agreement; and

WHEREAS, the California Industrial Development Financing Advisory Commission has determined that the Project is in compliance with the criteria set forth in, and that the issuance of the Bonds qualifies for issuance as required by, Section 91531 of the Act; and

WHEREAS, the Authority proposes to finance the Project by lending to the Company the funds for the acquisition, construction and equipping thereof and the Company desires to borrow such funds from the Authority and to acquire, construct and equip the Project upon the terms and conditions set forth herein; and

WHEREAS, the Authority has determined that the acquisition, construction and equipping of the Project is likely to result in employment benefits, resource conservation benefits, consumer benefits, and/or production of new or improved products or facilities; and

WHEREAS, the Bonds will be issued under and secured by an Indenture of Trust, dated as of September 1, 1985 (the "Indenture"), between the Authority and First Interstate Bank, as Trustee (the "Trustee"), under the terms of which the Authority will assign and pledge all of its right, title and interest in this Loan Agreement (except as provided herein and therein) and all payments under this Loan Agreement to the payment of the principal of, premium, if any, and interest on the Bonds as the same become due;

NOW, THEREFORE, the parties hereto, intending to be legally bound hereby and for and in consideration of the premises and the mutual covenants herein contained, do hereby agree as follows:

ARTICLE I

DEFINITIONS; RULES OF INTERPRETATION

SECTION 1.1. DEFINITIONS. In addition to the words and terms elsewhere defined herein, the following words and terms as used herein shall have the following meanings unless the context or use clearly indicates another or different meaning or intent, and any other words and terms defined in the Indenture shall have the same meanings when used herein as assigned them in the Indenture unless the context or use clearly indicates another or different meaning or intent:

"Act" means the California Industrial Development Financing Act, California Government Code Sections 91500 et seq., as amended;

"ACT OF BANKRUPTCY" means the filing of a petition in bankruptcy (or other commencement of a bankruptcy or similar proceeding) by or against the

Company or by or against the Authority under any applicable bankruptcy, insolvency, reorganization or similar law now or hereafter in effect;

"ACT OF BANKRUPTCY OF BANK" means that the Bank has become insolvent or has failed to pay its debts generally as such debts become due or has admitted in writing its inability to pay any of its indebtedness or has consented to or has petitioned or applied to any authority for the appointment of a receiver liquidator, trustee or similar official for itself or for all or any substantial part of its properties or assets or that any such trustee, receiver, liquidator or similar official has been appointed or that insolvency, reorganization, arrangement or liquidation proceedings (or similar proceedings), have been instituted by or against the Bank;

"ADJUSTABLE INTEREST RATE" means the interest rate determined at the times and in the manner provided in Section 203 of the Indenture;

"ADMINISTRATION EXPENSES" means the reasonable and necessary expenses incurred by the Authority in the administration of this Loan Agreement, the Indenture and the Intercreditor Agreement, including, without limitation, fees and costs of attorneys, consultants and others, but excluding the Trustee's, any Paying Agent's and Tender Agent's fees, overhead and similar costs;

"ANNUAL DEBT SERVICE" means, for any Bond Year, the sum on the first day of such Bond Year of (i) the interest due in such Bond Year (calculated in accordance with the Regulations) on Outstanding Bonds and Bonds with respect to which all liability of the Authority has been discharged in accordance with Article XII of the Indenture and (ii) the principal amount of Outstanding Bonds and Bonds with respect to which all liability of the Authority has been discharged in accordance with Article XII of the Indenture falling due by their terms in such Bond Year.

"APPLICABLE JURISDICTION" means the area within the political boundaries of the County and all area within one-half mile of the Project whether or not located within the political boundaries of the County;

"AUTHORITY" means the Riverside County Industrial Development Authority, a public, corporate instrumentality of the State of California duly authorized and validly existing under the Act or any board, body, commission, department or officer succeeding to the principal functions thereof or to whom the powers conferred upon the Authority shall be given by law;

"AUTHORITY SECURITY DOCUMENTS" means collectively, the First Deed of Trust, the First Security Agreement, the First Financing Statement and the First Fixture Filing;

"AUTHORIZED BANK REPRESENTATIVE" means the person or persons authorized to sign Funding Requisitions on behalf of the Bank;

"AUTHORIZED COMPANY REPRESENTATIVE" means any one of the following officers of the Company: Chairman of the Board, President, Vice President, Treasurer or Assistant Treasurer, who is designated to act on behalf of the Company by written certificate furnished to the Authority and the Trustee containing the specimen signature of such designated officer and signed on behalf of the Company by any other officer of the Company. Such certificate may designate an alternate or alternates;

"BANK" means Security Pacific National Bank, a national banking association, acting as issuer of the Letter of Credit, or the issuer of a Substitute Letter of Credit, if one has been issued as provided in Section 4.7 hereof;

"BANK SECURITY DOCUMENTS" means, collectively, the Second Deed of Trust, the Second Security Agreement, the Second Financing Statement and the Second Fixture Filing;

"BOND" OR BONDS" means the Variable Rate Demand Industrial Development Revenue Bonds (Calavo Growers of California Project) of the Authority referred to in Section 3.1 hereof and to be issued pursuant to the Indenture;

"BOND COUNSEL" means an attorney at law or a firm of attorneys, acceptable to the Authority, the Trustee and the Bank, of nationally recognized standing in matters pertaining to the tax exempt nature of interest on bonds issued by states and their political subdivisions duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia;

"BOND FUND" means the Bond Fund created by Section 302 of the Indenture;

"BONDHOLDER" OR "HOLDER OF BONDS" OR "OWNER OF BONDS" means the Registered Owner of any Bond;

"BOND ISSUANCE DATE" means the date of delivery of the Bonds, being September 5, 1985;

"BOND YEAR" means the period of twelve (12) consecutive months ending on September 4 in any year during which Bonds are or will be Outstanding; provided, however, the final Bond Year shall end on the date on which the last Bond is paid or redeemed. For purposes of this definition, the term Outstanding shall include Bonds with respect to which all liability of the Authority has been discharged in accordance with Article XII of the Indenture.

"BUSINESS DAY" means any day other than a Saturday, Sunday, a legal holiday or a day on which banking institutions in the city in which the Bank's principal office is located or in the city in which the principal corporate trust office of the Trustee or any Paying Agent or Tender Agent is located, are

authorized or obligated by law or executive order to close, and on which The New York Stock Exchange is not closed;

"CODE" means the Internal Revenue Code of 1954, as amended, and any applicable regulations thereunder;

"COMPANY" means Calavo Growers of California, a California corporation, its successors and assigns, and any surviving, resulting or transferee company as permitted under Section 8.3 hereof;

COMPANY BONDS" means the Bonds purchased with the proceeds of a draw on the Letter of Credit pursuant to Section 1301 or Section 1302 of the Indenture which are registered in the name of the Company pursuant to Section 1310 of the Indenture.

"COMPANY DOCUMENTS" means this Loan Agreement, the Authority Security Documents, the Reimbursement Agreement, the Bank Security Documents, the Remarketing Agreement and the Placement Agent Agreement;

"COMPANY LOAN" means the loan originated by the Authority to the Company in an amount equal to $4,200,000 for the purpose of financing the acquisition, construction, improvement and equipping of the Project;

"COMPLETION CERTIFICATE" means the certificate of completion to be provided by the Company pursuant to the provisions of Section 5.2 hereof in the form attached hereto as Exhibit B;

"COMPLETION DATE" means the date of completion of the Project, as certified in the Completion Certificate;

"COMPUTATION DATE" means, for each Bond Year, the last scheduled Interest Payment Date in such Bond Year.

"CONSTRUCTION FUND" means the Construction Fund created by Section 302 of the Indenture;

"CONVERSION DATE" means the Interest Payment Date on which the Bonds begin to bear interest at the Fixed Interest Rate, as provided in Section 204 of the Indenture;

"COUNSEL" means an attorney at law or a firm of attorneys duly admitted to practice law before the highest court of any state of the United States of America and who is not a full time employee, director, officer or partner of the Authority or the Trustee or the Company;

"COUNTY" means Riverside County, California;

"DATE OF OFFICIAL ACTION" means March 5, 1985, the date on which "a bond resolution or other similar official action was taken . . . with respect to . . ." the Bonds as such phrase is used in Treasury Regulation Section 1.103-8(a)(5)(v);

"DETERMINATION OF TAXABILITY" means any of the following events: (i) the Company files a Supplemental Statement which indicates that it has exceeded the maximum capital expenditures permitted under Section 103(b)(6)(D) of the Code, or (ii) the Company gives a notice to the Authority and the Trustee that it has exceeded or intends to exceed the maximum capital expenditures under Section 103(b)(6)(D) of the Code, or (iii) the Company gives a notice to the Authority and the Trustee that it has exceeded or intends to exceed the maximum aggregate limit of outstanding tax-exempt industrial development bonds permitted under Section 103(b)(15) of the Code, or (iv) the enactment of legislation, or a judgment or order of a court of original jurisdiction or a final ruling or decision of the Internal Revenue Service which determines that interest paid or payable on any Bond is or was includable in the gross income of an Owner of the Bonds for Federal income tax purposes under the Code (other than an Owner who is a substantial user or related person within the meaning of Section 103(b) of the Code), provided, however, that a ruling or decision of the Internal Revenue Service shall be considered final only if no appeal or action for judicial review has been filed and the time for filing such appeal or action has expired;

"EARNINGS FUND" means the Earnings Fund created by Section 302 of the Indenture.

"EXCESS EARNINGS ACCOUNT" means the Excess Earnings Account created by Section 302 of the Indenture.

"EVENT OF DEFAULT" means one of the events described as an event of default in Section 9.1 hereof;

"FACILITIES" means property, both real and personal, or any interests therein, suitable for industrial uses including, without limitation, assembling, fabricating, manufacturing, processing or warehousing activities with respect to any products of agriculture, forestry, mining or manufacture, and includes any facilities incidental thereto;

"FIRST DEED OF TRUST" means the First Deed of Trust and assignment of Rents (Construction Trust Deed) with respect to the Project, of even date herewith, executed by the Company, as trustor, to the Title Company, as trustee, for the benefit of the Authority, as beneficiary;

"FIRST FINANCING STATEMENT" means a UCC-1 financing statement executed by the Company, as debtor pursuant to the First Security Agreement, and naming the Authority as the secured party and the Trustee as the assignee of the secured party;

"FIRST FIXTURE FILING" means a fixture filing executed by the Company, as debtor pursuant to the First Security Agreement, and naming the Authority as the secured party and the Trustee as the assignee of the secured party;

"FIRST SECURITY AGREEMENT" means the First Security Agreement with respect to the Project, of even date herewith, executed by the Company, as debtor, in favor of the Authority, as secured party;

"FIXED INTEREST RATE" means the interest rate in effect on the Bonds from and after the Conversion Date as said rate is determined in accordance with Section 204 of the Indenture;

"FUNDING REQUISITION" means the requisition form requesting disbursement of monies from the Construction Fund in the form attached hereto as Exhibit C;

"GENERAL EARNINGS ACCOUNT" means the General Earnings Account created by Section 302 of the Indenture.

"GOVERNMENT OBLIGATIONS" means any of the following which at the time of investment are legal investments under the laws of the State for the money proposed to be invested therein: direct obligations issued by the United States Treasury or obligations unconditionally guaranteed as to the payment of principal and interest by the full faith and credit of the United States of America which may be permitted under Section 103(h)(3)(B)(v) of the Code and regulations issued thereunder, or which, in the opinion of Bond Counsel, will not impair the exemption from federal income taxation of the interest on the Bonds;

"GROSS PROCEEDS" shall have the meaning ascribed to such term in the Regulations.

"INDENTURE" means that certain Indenture of Trust, of even date herewith, by and between the Authority and the Trustee, pursuant to which the Bonds are authorized to be issued and the interests of the Authority in this Loan Agreement and the revenues received by the Authority hereunder are to be pledged and assigned as security for the payment of the principal of, premium, if any, and interest on the Bonds, including any amendments and supplements thereto;

"INTERCREDITOR AGREEMENT" means that certain Intercreditor Agreement of even date herewith among the Authority, the Trustee and the Bank, as amended and supplemented from time to time;

"INTEREST PAYMENT DATE" means, prior to the Conversion Date, the first Business Day of each month, commencing October 1, 1985, and, after the Conversion Date, March 1 and September 1 of each year;

"INVESTMENT EXCESS" shall mean, for the applicable computation period, (1) the aggregate amount of interest, profits and other income actually earned on the investment of Gross Proceeds in Nonpurpose Obligations (other than (i) Gross Proceeds held in the Excess Earnings Account of the Earnings Fund

and (ii) except as otherwise required by the Regulations, Gross Proceeds invested in the Bond Fund), less (2) the aggregate amount that would have been earned if such Gross Proceeds had been invested at a Yield equal to the Yield on the Bonds.

"LETTER OF CREDIT" means the irrevocable direct draw letter of credit issued by the Bank to the Trustee as beneficiary, at the request of and for the account of the Company in accordance with Section 4.7 hereof, or any Substitute Letter of Credit;

"MAXIMUM INTEREST RATE" means twelve percent (12%) per annum;

"MOODY'S" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall for any reason no longer perform the function of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized rating agency designated by the Authority with the approval of the Company and the Bank;

"NET PROCEEDS" means, with respect to any insurance proceeds or any condemnation award, the amount remaining after deducting all expenses (including attorneys' fees) incurred in the collection of such proceeds or award from the gross proceeds thereof;

"NONPURPOSE OBLIGATION" shall have the meaning ascribed to such term in the Regulations.

"OUTSTANDING," when used as of any particular time with reference to Bonds, means all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except

(1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(2) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with Article XII of the Indenture; and

(3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

"PAYING AGENT" means the Trustee and any other bank or trust company designated by the Authority pursuant to the Indenture to serve as a paying agency or place of payment for the Bonds;

"PERMITTED INVESTMENTS" means any of the following which at the time are legal investments for the Authority under the laws of the State, and on which the Company is not the obligor:

(a) Government Obligations;

(b) certificates of deposit or time deposits, or repurchase agreements with national or state banks, including the Trustee or its affiliates, or international banks with domestic United States operations, with capital, surplus and undivided profits of $50,000,000 or more, and certificates of deposit of federal savings and loan associations (including the certificates of deposit of any bank, savings and loan association or building and loan association acting as depository, custodian or trustee for any such bond proceeds);

(c) commercial paper of "prime quality" approved by the Trustee and bearing a rating by a nationally recognized rating agency of "A-1", "P-1", "F-1" or any similar rating or better;

(d) bills of exchange or time drafts drawn on and accepted by a commercial bank (i.e., banker's acceptances) which are eligible for purchase by the Federal Reserve System; or

(e) obligations of a state, territory or possession of the United States or any political subdivision of the foregoing the interest on which is exempt from federal income taxation under Section 103(a) of the Code which bear a rating in either of the two highest rating categories of a nationally recognized rating agency;

"PERSON" means a natural person, firm, partnership, association, corporation, trust or public body;

"PLACEMENT AGENT AGREEMENT" means the Placement Agent Agreement dated as of September 1, 1985, by and among the Authority, the Company and Security Pacific Capital Markets Group (Security Pacific National Bank) as Placement Agent;

"POST-CONVERSION LETTER OF CREDIT" means a Substitute Letter of Credit issued by the Bank for the benefit of the Trustee on and after the Conversion Date;

"PRINCIPAL USER" means "principal user" as that term is used in Section 103(b)(6) of the Code;

"PROJECT" means the Facilities to be acquired, constructed and equipped with the proceeds of the sale of the Bonds or the proceeds of any payment by the Company pursuant to Section 5.1 hereof, which Facilities are more fully described in the Project Summary attached hereto as Exhibit A;

"PROJECT COSTS" means those costs incurred by the Company in connection with the Project and in connection with the issuance of the Bonds including, but not limited to, the following:

(a) the cost of construction, improvement, repair, and reconstruction;

(b) the cost of acquisition, including rights in land and other property, both real and personal and improved and unimproved, and franchises, and disposal rights;

(c) the cost of demolishing, removing, or relocating any building or structures on lands so acquired, including the cost of acquiring any lands to which such buildings or structures may be moved or relocated;

(d) the cost of machinery, equipment and furnishings, of engineering and architectural surveys, plans, and specifications, and of transportation and storage until the Project is operational;

(e) the cost of agents or consultants, including, without limitation, legal, financial, engineering, accounting, and auditing, necessary or incident to the Project and of the determination as to the feasibility or practicability of undertaking the Project;

(f) the cost of financing interest prior to, during, and for a reasonable period after completion of the Project, and reserves for principal and interest and for extensions, enlargements, additions, repairs, replacements, renovations and improvements;

(g) the cost of acquiring or refinancing existing obligations incident to the undertaking and carrying out, including the financing of, the Project, and the reimbursement to any governmental entity or agency, or any company, of expenditures made by or on behalf of such entity, agency or company that are Project costs hereunder without regard to whether or not such expenditures may have been made before or after the adoption of a resolution of intention with respect to the Project by the Authority; and

(h) the cost of making relocation assistance payments as provided by Chapter 16 (commencing with Section 7260) of Division 7 of Title 1 of the California Government Code.

"PROJECT SUMMARY" means the Project Summary prepared by the Company, a copy of which is attached hereto as Exhibit "A" and incorporated herein by this reference;

"QUALIFIED PROJECT COSTS" means the Project Costs (other than the expenses incurred in connection with the issuance of the Bonds) incurred after the Date of Official Action which are incurred in connection with the acquisition, construction, reconstruction, or improvement of land or property described

in Section 167 of the Code and are chargeable to the capital account of the Company with respect to the Project for federal income tax and financial accounting purposes, and shall not include working capital, the cost of inventory, goodwill or other non-depreciable property other than land; provided, however, that: (i) the Qualified Project Costs shall not include the costs of acquiring land or any interest in land that will be used for agricultural purposes; (ii) no more than 25% of the Qualified Project Costs shall be costs of acquiring land other than agricultural land or any interest therein; and (iii) any rehabilitation expenditures within the meaning of Section 103(b)(17)(C) of the Code with respect to any building or equipment thereon shall equal or exceed fifteen percent (15%) of that portion of the Project Costs to acquire such building and equipment financed with the proceeds of the sale of the Bonds;

"REBATE AMOUNT" shall mean, for the applicable computation period, the Investment Excess for such period, plus the aggregate amount of all interest, profits and other income earned on investments in the Excess Earnings Account of the Earnings Fund during such period;

"REGISTERED OWNER" means the person or persons in whose name or names a Bond shall be registered on books of the Trustee kept for that purpose in accordance with the terms of the Indenture;

"REGULATIONS" shall mean the regulations of the United States Department of the Treasury proposed or promulgated under Section 103(c)(6) of the Code which by their terms are effective with respect to the Bonds;

"REIMBURSEMENT AGREEMENT" means that certain Reimbursement Agreement of even date herewith, by and between the Bank and the Company providing for the issuance of the Letter of Credit, as amended and supplemented from time to time;

"REMARKETING AGENT" means the agent appointed in accordance with the provisions of Section 1303 of the Indenture, initially Security Pacific Capital Markets Group (Security Pacific National Bank);

"REMARKETING AGREEMENT" means the Remarketing Agreement of even date herewith among the Authority, the Company and the Remarketing Agent, as amended and supplemented from time to time;

"RELATED PERSON" means any "related person" as such term is defined in Section 103(b)(6)(C) of the Code;

"SEASONED FUNDS" means monies paid by the Company to the Trustee for deposit into the Company Monies Account of the Revenue Fund or the Special Redemption Account of the Bond Fund which monies shall have been held in the Company Monies Account or the Special Redemption Account for at least 126 consecutive days, provided, that no Act of Bankruptcy shall have occurred during such 126-day period and provided further, that no Act of Bankruptcy shall

have occurred during the 126-day period immediately preceding such deposit; the Trustee shall be entitled to rely on the Company's failure to furnish the Trustee with a certificate to the effect that an Act of Bankruptcy has occurred as evidence that no such bankruptcy has occurred;

"SECOND DEED OF TRUST" means the Second Deed of Trust and Assignment of Rents (Construction Trust Deed) with respect to the Project, of even date herewith, executed by the Company, as trustor, to the Title Company, as trustee, for the benefit of the Bank, as beneficiary;

"SECOND FINANCING STATEMENT" means the UCC-1 financing statement executed by the Company, as debtor pursuant to the Second Security Agreement, and naming the Bank as the secured party;

"SECOND FIXTURE FILING" means the fixture filing executed by the Company, as debtor pursuant to the Second Security Agreement, and naming the Bank as the secured party;

"SECOND SECURITY AGREEMENT" means the Second Security Agreement with respect to the Project, of even date herewith, executed by the Company, as debtor, in favor of the Bank, as secured party;

"SPECIAL ARBITRAGE INSTRUCTIONS" means the Special Arbitrage Instructions attached hereto as Exhibit D;

"STATE" means the State of California;

"SUBSIDIARY" means any company of which the Company owns, directly or indirectly, more than fifty percent (50%) of the voting shares thereof or otherwise controls;

"SUBSTITUTE LETTER OF CREDIT" means a letter of credit delivered to the Trustee in accordance with Section 4.7 of this Loan Agreement;

"SUPPLEMENTAL STATEMENT" means any statement, supplemental statement or other tax schedule or return or document filed with the Internal Revenue Service (whether pursuant to Treasury Regulation Section 1.103-10(b)(2)(vi)(c) as the same may be amended or supplemented from time to time, or otherwise);

"TENDER AGENT" means Chemical Bank, a New York banking corporation, acting in the capacity of Tender Agent under the Indenture;

"TITLE COMPANY" means Ticor Title Insurance Company of California, a California corporation;

"TITLE POLICY" means an ALTA Loan Policy - 1970 with ALTA Endorsement Form 1 Coverage (LP 10), issued by the Title Company, naming the

Trustee as the insured, with liability in the amount of the aggregate principal amount of the Bonds, insuring the validity and priority of the lien of the First Deed of Trust, as assigned by the Authority to the Trustee, subject only to such other exceptions as are approved in writing by the Authority, and including CLTA endorsements 100, 104.7, 111.5, 112.1, and 116.1, and such other endorsements as the Authority may require;

"TRUSTEE" means First Interstate Bank of California as trustee, and any co-trustee or any successor trustee under the Indenture.

"YIELD" shall have the meaning ascribed to such term in the Regulations.

SECTION 1.2. RULES OF INTERPRETATION. The definitions set forth in Section 1.1 shall be equally applicable to both the singular and the plural forms of the terms therein defined and shall cover all genders.

"HEREIN," "HEREBY," "HEREUNDER," "HEREOF," "HEREINBEFORE," "HEREINAFTER" and other equivalent words refer to this Loan Agreement and not solely to the particular Article, Section or subdivision hereof in which such word is used.

Reference herein to an Article number (e.g., Article IV) or a Section number (e.g., Section 6.2) shall be construed to be a reference to the designated Article number or Section number hereof unless the context or use clearly indicates another or different meaning or intent.

SECTION 1.3. INDENTURE CONTROLS AS TO CONFLICTING PROVISIONS. In the event any of the provisions of this Loan Agreement (including the definitions of terms herein) conflict in any respect with the provisions of the Indenture and cannot be reconciled, the provisions of the Indenture shall control.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

SECTION 2.1. REPRESENTATIONS AND WARRANTIES OF AUTHORITY. As of the date hereof and as of the Bond Issuance Date, the Authority hereby represents and warrants as follows:

(a) The Authority is a public, corporate instrumentality of the State, duly organized and validly existing under and pursuant to the Act, and the County has adopted an ordinance declaring the need for the Authority and that it shall function for the purposes expressed in the Act. The Authority agrees that it will do or cause to be done all things necessary to preserve and keep in full force and effect its existence.

(b) Under the provisions of the Act, the Authority has the power and authority to enter into the transactions contemplated by this Loan Agreement, the Indenture, the Placement Agent Agreement, the

Remarketing Agreement, and the Intercreditor Agreement and to carry out its obligations hereunder and thereunder, and it has complied with all provisions of the Act in all matters relating to such transactions.

(c) The Authority, by proper action, has authorized the execution and delivery of this Loan Agreement, the Indenture, the Placement Agent Agreement, the Remarketing Agreement and the Intercreditor Agreement, the sale, issuance, execution and delivery of the Bonds, and the performance of its obligations hereunder and thereunder.

(d) The Project constitutes and will constitute a "project" within the meaning of the Act.

(e) Neither the execution and delivery of the Bonds, this Loan Agreement, the Indenture, the Placement Agent Agreement, the Remarketing Agreement and the Intercreditor Agreement, the consummation of the transactions contemplated thereby and hereby, nor the fulfillment of or compliance with the terms and conditions or provisions of the Bonds, this Loan Agreement, the Indenture, the Placement Agent Agreement, the Remarketing Agreement, or the Intercreditor Agreement conflict with or result in the breach of any of the terms, conditions or provisions of any constitutional provision or statute of the State or of any agreement, instrument, judgment, order or decree to which the Authority is now a party or by which it is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any prohibited lien, charge or encumbrance of any nature or upon any property or assets of the Authority under the terms of any instrument or agreement.

(f) There is no action, suit, proceeding, inquiry or investigation pending or, to the best of the Authority's knowledge, after due investigation, threatened against the Authority by or before any court, governmental agency or public board or body which (i) affects or seeks to prohibit, restrain or enjoin the sale, issuance, execution, delivery or payment of the Bonds, or the loan of the proceeds from the sale of the Bonds to the Company, or (ii) affects or seeks to prohibit, restrain or enjoin the execution, delivery or performance of this Loan Agreement, the Indenture, the Bonds, the Placement Agent Agreement, the Remarketing Agreement or the Intercreditor Agreement; or (iii) affects or questions the organization, powers or authority of the Authority to carry out the transactions contemplated by the Bonds, this Loan Agreement, the Indenture, the Placement Agent Agreement, the Remarketing Agreement or the Intercreditor Agreement or the right of the officers of the Authority to hold their respective offices; or (iv) affects or questions the validity or enforceability of this Loan Agreement, the Indenture, the Placement Agent Agreement, the Remarketing Agreement, the Intercreditor Agreement or the Bonds; or (v) questions the tax-exempt status of the Bonds.

(g) The Authority will not take or permit any action to be taken which results in the interest paid on the Bonds being included in the gross income of the holder thereof (other than a "substantial user" or "related person") for purposes of Federal or State income taxation.

(h) To lend financial assistance to the Company for the purposes of acquiring, constructing and equipping the Project, the Authority proposes to issue the Bonds in the principal amount of $4,200,000 following the execution and delivery of this Loan Agreement. The date, interest rate, date of maturity, redemption provisions and other pertinent provisions with respect to the Bonds are as set forth in the Indenture, and such provisions are hereby incorporated herein.

(i) Simultaneously herewith, the Authority's rights, title, interests and duties in and under this Loan Agreement will be assigned and conveyed to the Trustee (with certain reservations and exceptions noted in the Indenture), without recourse, as security for payment of the principal of, premium, if any, and interest on the Bonds.

(j) Notwithstanding anything contained herein to the contrary, any obligation the Authority may hereby incur for the payment of money shall not constitute an indebtedness of the County or the State and shall not constitute or give rise to a pecuniary liability of the County or the State or a charge against the general credit or taxing powers of the County or the State, but shall be payable solely from the revenues, proceeds and receipts derived from this Loan Agreement.

SECTION 2.2. REPRESENTATIONS AND WARRANTIES OF COMPANY. As of the date hereof and the Bond Issuance Date, the Company hereby represents and warrants as follows:

(a) The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the state of California.

(b) The Company has full corporate power and authority to carry on its business as now conducted and to enter into this Loan Agreement and the other Company Documents and to obtain the Letter of Credit, and the execution and delivery of this Loan Agreement and the other Company Documents have been duly authorized by proper corporate action. This Loan Agreement and the other Company Documents constitute valid and legally binding obligations of the Company.

(c) No consent or approval of any trustee or holder of any indebtedness or obligation of the Company or any Subsidiary, and no consent, approval, permission, authorization, order or license of any governmental authority is required to be obtained by the Company for: (i) the execution and delivery of this Loan Agreement and the other Company Documents and any instrument or agreement required of the Company hereunder; (ii) the fulfillment of and compliance with the provisions hereof;

and (iii) the acquisition, construction and equipping of the Project, except as may have been obtained and certified copies of which have been delivered to the Authority.

(d) The Company is not subject to any charter, by-law or contractual limitation or provision of any nature whatsoever which in any way limits, restricts or prevents the Company from entering into this Loan Agreement or the other Company Documents or from performing any of its obligations hereunder or thereunder, except to the extent that such performance maybe limited by bankruptcy, insolvency, reorganization or other laws affecting creditors' rights generally. Neither the execution and delivery of this Loan Agreement or the other Company Documents, and the consummation of the transactions contemplated hereby and thereby, nor the fulfillment of or compliance with the provisions hereof and thereof conflicts with, violates or will result in a material breach of any charter or by-law of the Company, any of the terms, conditions or provisions of any indenture, instrument or agreement to which the Company is a party or by which the Company is bound, or any statute, rule or regulation, or any judgment, decree or order of any court or agency binding on the Company or constitutes a default under any of the foregoing which has not been waived or consented to in writing by the appropriate party or parties, or results in the creation or imposition of any lien, charge, security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Company not permitted under the terms of any restriction, agreement, instrument, statute, governmental rule or regulation, court order, judgment or degree.

(e) There is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency or public board or body pending or, to the best knowledge of the Company threatened against the Company which (i) affects or seeks to prohibit, restrain or enjoin the issuance, sale or delivery of the Bonds or the loaning of the proceeds of the Bonds to the Company or the execution and delivery of the Company Documents, (ii) affects or questions the validity or enforceability of the Bonds, the Indenture, the Letter of Credit or the Company Documents, (iii) questions the tax-exempt status of the Bonds or (iv) questions the power or authority of the Company to carry out the transactions contemplated by, or to perform its obligations under, the Company Documents or the powers of the Company to own, acquire, construct, equip or operate the Project.

(f) The proposed issuance of the Bonds by the Authority and the making of the Company Loan to the Company to finance the Project Costs have induced the Company to acquire, construct and equip the Project.

(g) The Company has complied or will comply with all legal requirements relating to the Project and the operation, repair and maintenance of the Project, including (i) the attainment of any rezoning or variances, building, development and other permits and approvals, and

licenses and other entitlements for use, and (ii) securing the issuance of any certificates of need, convenience and necessity or other certificates or franchises, and has provided the Authority with satisfactory evidence of such compliance.

(h) The Company will not use any of the funds provided by the Authority hereunder, or any other funds, nor will it permit any of the funds provided by the Authority hereunder, or any other funds, to be used in a manner which would impair the exemption of interest on the Bonds from Federal or State income taxation.

(i) When duly executed, this Loan Agreement, the other Company Documents and all other agreements entered into by the Company contemplated herein or in the Indenture will be enforceable against the Company according to their terms, except as may be limited by bankruptcy, insolvency, reorganization or other laws affecting creditors' rights generally.

(j) The information and documents concerning the Company submitted to the Authority in or with the Company's application for financing and any supplements thereto were true and complete on the date of submission and are true and complete in all material respects on the Bond Issuance Date.

(k) The audited financial statements of the Company submitted to the Authority with the Company's application for financing present fairly the financial position of the Company as of the dates indicated and the results of its operations for the periods specified, and such financial statements have been prepared in conformity with generally accepted accounting principles consistently applied to the periods involved, except as otherwise stated in the notes accompanying such financial statements.

(1) Any unaudited financial statements of the Company submitted to the Authority in connection with the Company's application for financing present fairly the financial position of the Company as of the dates indicated and the results of its operations for the periods specified, subject to year-end adjustments, and such financial statements have been prepared on a basis consistent with prior interim periods.

(m) As to any expenditures which the Company has heretofore made for purposes of acquiring, constructing and equipping the Project for which it seeks reimbursement from the Company Loan, such expenditures were made in anticipation of issuance of the Bonds and reimbursement from the proceeds thereof.

(n) Prior to the Date of Official Action no earnest money agreement had been entered into, no contract had been awarded or entered into (except the agreement with the architect for the Project), no purchase order had been issued, no on-site or off-site renovations or installation had

commenced with respect to any component of the Project, and no other physical work at the Project site for the purpose of acquiring, constructing or equipping the Project or any such component thereof had been commenced.

(o) As of September 1, 1985, no component of the Project has reached a degree of completion which would permit operation of the Project at substantially the level for which it is designed, and, as of the said date, no component of the Project was, in fact, in operation at such level.

(p) Any certificate signed by the Authorized Company Representative and delivered pursuant to this Loan Agreement or the Indenture shall be deemed to be a representation and warranty by the Company as to the statements made therein.

SECTION 2.3. REPRESENTATIONS AND COVENANTS OF COMPANY AND AUTHORITY WITH RESPECT TO FEDERAL AND CALIFORNIA PERSONAL INCOME TAX MATTERS AND CAPITAL EXPENDITURES. The Authority is issuing the Bonds pursuant to an election made by it under Section 103(b)(6)(D) of the Code, and, prior to the issuance and delivery of the Bonds, the Authority will have made all necessary filings in order to effect such election in accordance with Section 8.11 hereof. It is the intention of the parties hereto that the interest on the Bonds shall be exempt from federal income taxation and California personal income taxation and to that end the Authority and the Company covenant with each other and with the Trustee as follows:

(a) The Company warrants that, except in connection with the issuance of the Bonds, neither the Company nor any Related Person of the Company has entered or will enter into any contract, agreement or understanding providing for the issuance of obligations of any political subdivision, agency, authority, instrumentality or company of a public or quasi-public nature to acquire facilities in the Applicable Jurisdiction, the Principal User of which is to be Company or any such Related Person and which obligations are to be issued on or prior to the Bond Issuance Date;

(b) The Authority warrants that, except in connection with the issuance of the Bonds, it has not entered into and will not enter into any contract, agreement or understanding providing for the issuance of obligations by the Authority to acquire facilities in the Applicable Jurisdiction the Principal User of which is to be the Company or any person which, to the knowledge of the Authority, is a Related Person of the Company, and which obligations are to be issued on or prior to the Bond Issuance Date;

(c) The Company warrants that there have never been issued any bonds or other obligations with respect to "facilities" described in Section 103(b)(6) of the Code, the Principal User of which facilities is the Company or one or more Related Persons to the Company which are located in the Applicable Jurisdiction, and which bonds or other obligations would be

taken into account in determining the face amount of the Bonds, as provided in Section 103(b)(6)(D)(ii) of the Code;

(d) The Company warrants that neither the Company nor any Related Person of the Company is a party to or shall enter into any contract, agreement or commitment which would require them or any of them to make or cause to be made any capital expenditures with respect to "facilities" described in Section 103(b)(6)(E) of the Code which are located in the Applicable Jurisdiction which would cause the interest on the Bonds to be subject to federal income taxation;

(e) The Company will file in a timely manner all Supplemental Statements required by Treasury Regulation Section 1.103-10(b)(2)(vi)(c) as amended or supplemented from time to time. The Company shall furnish to the Trustee, within thirty (30) days after the filing thereof, true and complete copies of all Supplemental Statements;

(f) The Authority and the Company each agree to comply fully, during the term of this Loan Agreement, with all effective rules, rulings and regulations promulgated by the Department of the Treasury or the Internal Revenue Service, with respect to bonds or other obligations issued under Section 103(b)(6)(D) of the Code, so as to maintain the tax-exempt status of interest on the Bonds, including, without limitation, the requirements of Treasury Regulation Section 1.103-10(b)(2)(vi), as amended or supplemented concerning the filing of Supplemental Statements;

(g) The Company warrants that (i) there are no Principal Users of the Project other than the Company, and (ii) there are no Related Persons to the Company which must be considered as Principal Users of the Project or other facilities located in the Applicable Jurisdiction by virtue of Section 103(b)(6)(E) of the Code. The Company covenants that neither it nor any Related Person is a Principal User of any facilities other than the Project in the Applicable Jurisdiction which must be taken into account with respect to the Bonds for purposes of section 103(b)(6)(A) of the Code;

(h) The Company warrants that at least 95% of the proceeds of the Bonds, after the payments of the costs of issuance of the Bonds, will be used to pay or reimburse the Company for Qualified Project Costs; and

(i) As of the Bond Issuance Date, the Company warrants that within the three (3)-year period preceding the Bond Issuance Date, no costs which are chargeable, for federal income tax purposes, to the capital account of any Person have been paid or incurred with respect to the Project or other facilities, of which the Company or any Related Person is a Principal User, located in the Applicable Jurisdiction, other than costs to be paid or reimbursed with the proceeds of the Bonds or costs listed in the certificate of the Authorized Company Representative furnished to the Authority on the Bond Issuance Date. The Company further covenants and agrees that neither it nor any other person will pay or incur within the

three (3)-year period immediately succeeding the Bond Issuance Date any costs (other than costs to be paid or reimbursed with the proceeds of the Bonds) which are chargeable for federal income tax purposes to the capital account of any Person (hereinafter referred to as "Capital Expenditures"), with respect to the Project, or other facilities of which the Company or any Related Person is a Principal User located in the Applicable Jurisdiction which, if added to the principal amount of the Bonds and all prior Capital Expenditure including, but not limited to costs listed in the certificate of the Authorized Company Representative furnished to the Authority on the Bond Issuance Date which are not paid or reimbursed with the proceeds of the Bonds, would exceed $10,000,000.

(j) The Company covenants and agrees that it will not use or permit the use of any of the funds provided by the Authority pursuant to this Loan Agreement, or any other funds of the Company, directly or indirectly, or direct the Trustee to invest any funds held by it under the Indenture or this Loan Agreement, in such a manner as would cause the Bonds to be treated as federally guaranteed within the meaning of Section 103(h) of the Code.

(k) The Company warrants that there are no "test period beneficiaries" of the Project (as defined in Section 103(b)(15)(D) of the Code) other than the Company and that the total outstanding face amount of all tax-exempt industrial development bonds of any Person with respect to facilities used by the Company or by any Related Person to the Company as of the Bond Issuance Date is $30,000. The Company covenants that neither it nor any Related Person is or will become a user of any facilities (other than the Project) with respect to which there were outstanding tax-exempt industrial development bonds on the Bond Issuance Date, if such use will result in a violation of Code Section 103(b)(15). The Company further covenants that it will not cause or allow the use of the Project by any Person during the three year period commencing on the date the Project is placed in service if the use of the Project by such Person will cause the requirements of Section 103(b)(15) of the Code to be violated.

(l) The Company warrants that there are no other obligations heretofore issued or to be issued by or on behalf of any state, territory or possession of the United States, or any political subdivision of any of the foregoing, or of the District of Columbia, which constitute "industrial development bonds" within the meaning Section 103(b)(2) of the Internal Revenue Code of 1954, as amended (the "Code"), and which have been or are to be sold (1) at substantially the same time as the Bonds, (2) at substantially the same interest rate as the rate of interest on the Bonds, (3) pursuant to a common plan of marketing with the marketing of the Bonds, and (4) which are payable directly or indirectly by the Company or from a common or pooled security which is also used or available to pay debt service on the Bonds.

(m) The Company covenants and agrees that it will promptly notify the Authority and the Trustee if it exceeds or intends to exceed the maximum capital expenditures in the Applicable Jurisdication permitted by Section 103(b)(6)(D) of the Code, or the maximum aggregate amount of tax-exempt industrial development bonds permitted by Section 103(b)(15) of the Code.

(n) Neither the Authority nor the Company shall use or direct or permit the use of any of the proceeds of the Bonds in such a manner as to, or take or omit to take any action which would, cause the Bonds to be "arbitrage bonds" within the meaning of Section 103(c) of the Code and applicable regulations thereunder.

(o) The Authority shall have filed prior to the issuance of the Bonds, the election required pursuant to Treasury Regulations 1.103-10(b)(2)(vi)(a) to have Section 103(b)(6) of the Code apply to the Bonds.

(p) The Authority shall file or cause to be filed Internal Revenue Service Form 8038 as required by Code.

SECTION 2.4. SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations and warranties set forth in this Article II shall remain in full force and effect at and shall survive delivery of the Bonds.

ARTICLE III

ISSUANCE OF THE BONDS; THE COMPANY LOAN

SECTION 3.1. AGREEMENT TO ISSUE THE BONDS; APPLICATION OF PROCEEDS. The Authority agrees to sell, issue and cause to be delivered to the purchasers thereof the Bonds for the purpose of making the Company Loan. The Authority further agrees to deposit all proceeds received from said sale with the Trustee in accordance with Section 303 of the Indenture. The Company hereby approves the sale, issuance and delivery of the Bonds as described in the Indenture.

SECTION 3.2. AGREEMENT TO MAKE THE COMPANY LOAN. Subject to the terms and conditions of this Loan Agreement and in reliance upon the representations and warranties of the Company set forth herein, the Authority hereby agrees to lend to the Company the sum of $4,200,000 (the "Company Loan"), derived solely from the proceeds of the Bonds and the Company hereby agrees to borrow said sum from the Authority pursuant to this Loan Agreement, which sum shall be used by the Company exclusively for payment of Project Costs. The obligation of the Authority to make the Company Loan as herein provided shall be subject to the receipt by it of the proceeds of issuance and sale of the Bonds.

The Loan shall mature on August 29, 2005. The Loan shall bear interest on the principal amount outstanding from time to time at the rate which at all times equals the rate of interest on the Bonds, as established pursuant to the Indenture. Interest shall be due and payable on the third Business Day immediately preceding each Interest Payment Date as provided in Section 4.1 hereof.

SECTION 3.3. DISBURSEMENTS FROM THE CONSTRUCTION FUND. Pursuant to the terms of, and on the conditions set forth in the Indenture, the Authority has authorized and directed the Trustee to disburse amounts in the General Earnings Account and the Excess Earnings Account of the Earnings Fund and amounts in the Construction Fund for the payment of Project Costs or to reimburse the Company for any Project Costs incurred by it. Such disbursement shall be made by the Trustee as follows:

(a) prior to the Completion Date, the Trustee shall disburse to the Bank first from the Excess Earnings Account and the General Earnings Account of the Earnings Fund, then from the Construction Fund, immediately upon receipt by the Trustee of the proceeds of a draw upon the Letter of Credit representing a payment of interest on the Company Loan, an amount equal to the amount of such draw;

(b) for payment of Project Costs other than interest on the Company Loan, the Trustee shall disburse funds first from the Excess Earnings Account and General Earnings Account in the Earnings Fund, then from the Construction Fund upon receipt of a Funding Requisition signed by the Authorized Company Representative, and approved by an Authorized Bank Representative in the form attached hereto as Exhibit B, with respect to each requested disbursement; and

(c) in the event the Company elects to prepay the Company Loan pursuant to Section 4.6(a) hereof, the Trustee shall disburse to the Bank all amounts remaining on deposit in the Construction Fund, immediately upon receipt by the Trustee of the proceeds of a draw upon the Letter of Credit representing the amount of the prepayment.

In making any disbursement from the Earnings Fund or the Construction Fund pursuant to Subsection 3.3(b) hereof, the Trustee may rely on any Funding Requisition delivered to it pursuant to this Section, and shall be relieved of any liability with respect to the disbursement of funds pursuant to any such Funding Requisition.

Notwithstanding anything to the contrary contained herein, neither the Authority nor the Company shall cause the proceeds of the Bonds to be used in any manner which would result in the loss of the exemption from Federal income taxation under Section 103(b)(6)(D) of the Code of the interest on the Bonds.

SECTION 3.4. FURNISHING DOCUMENTS TO TRUSTEE. The Company shall prepare and submit to the Trustee the documents referred to in Section 3.3 hereof as required pursuant thereto, and such additional documentation with respect to disbursements from the Earnings Fund or the Construction Fund as the Trustee may reasonably request.

SECTION 3.5. INVESTMENT OF MONEY. Except as otherwise provided in this Loan Agreement or the Indenture, any money held in any Funds or Accounts at any time held by the Trustee shall, in the manner provided in Article V of the Indenture, be invested or reinvested by the Trustee at the written request of and as directed by the Company, solely in Permitted Investments. Notwithstanding the foregoing, all monies on deposit in the Special Redemption Account if invested, shall be invested solely in obligations of a state, territory or possession of the United States or any political subdivision of the foregoing, the interest on which is exempt from federal income taxation under Section 103(a) of the Code, and all monies on deposit in the Bond Payment Account of the Bond Fund and the Purchase Fund shall be held as cash or invested in Government Obligations maturing at such time or times as said monies shall be needed for the purposes for which they were deposited, but in no event shall such Government Obligations have a maturity in excess of thirty (30) days.

SECTION 3.6. SPECIAL ARBITRAGE COVENANTS.

(a) The Company hereby covenants and represents to the Authority, and, based upon said representations, the Authority and the Company jointly and severally covenant with all purchasers and owners of the Bonds, that until the last Bond shall have been paid or redeemed, the Authority and the Company will comply with all requirements of Section 103(c)(6) of the Code and all applicable Regulations. The Company and the Authority further specifically agree that:

(1) The Company shall deposit or cause to be deposited with the Trustee, for credit to the General Earnings Account of the Earnings Fund, all interest, profits and other income attributable to the investment of Gross Proceeds in Nonpurpose Obligations (other than (i) Gross Proceeds paid to the Authority pursuant to Section 4.4 hereof and (ii) Gross Proceeds invested in the Excess Earnings Account.)

(2) Except with respect to Gross Proceeds invested during an applicable temporary period, as expressly permitted under the Regulations, neither the Company nor the Authority, with respect to Gross Proceeds under its control, will allow Gross Proceeds of the Bonds in an amount greater than 150% of the Annual Debt Service for any Bond Year to be invested during such Bond Year in Nonpurpose Obligations with a Yield in excess of the Yield on the Bonds. The Company will make all computations required to ensure compliance with the foregoing investment limitation and will instruct the Trustee in writing with respect to any sale or disposition of Nonpurpose Obligations required to comply with such investment limitation.

(3) On each Computation Date, the Company will compute the Investment Excess for the preceding twelve month period. Immediately thereafter, the Company will instruct the Trustee in writing to transfer such Investment Excess (to the extent not previously expended to pay Project Costs or debt service on the Bonds) from the General Earnings Account to the Excess Earnings Account of the Earnings Fund.

(4) No later than twenty-nine (29) days from the fifth Computation Date and every fifth Computation Date thereafter, the Company will transfer to the Trustee for payment to the United States Government an amount that, when added to any amount held in the Excess Earnings Account on such date plus the amount of all prior payments under this Section 3.6, equals at least 90% of the Rebate Amount for the period from the date of issuance through such Computation Date. No later than thirty (30) days after the day on which the last Bond is paid or redeemed, the Company will transfer to the Trustee for payment to the United States Government an amount that, when added to any amount held in the Excess Earnings Account on such date plus all prior payments under this Section 3.6, equals 100% of the Rebate Amount for the period from the date of issuance through the retirement date.

(5) Neither the Company nor the Authority will (i) invest Gross Proceeds or cause Gross Proceeds to be invested in Nonpurpose Obligations, if the Yield on such Nonpurpose Obligations would be less than the Yield that would have resulted from an arm's length transaction, or (ii) sell or otherwise dispose of or cause to be sold or otherwise disposed of Nonpurpose Obligations, if such sale or disposition would result in a smaller profit or larger loss than would have resulted from a sale at fair market value arrived at in an arm's length transaction.

(6) No later than March 4, 1986, the Authority will expend (i) all Gross Proceeds received by it pursuant to Section 4.4 hereof, and (ii) all income, profits and other earnings attributable to the investment of such Gross Proceeds in Nonpurpose Obligations. The Authority will use its best efforts to appropriate an amount equal to the Investment Excess earned by the Authority from the investment of such Gross Proceeds in Nonpurpose Obligations and to pay such amount to the Company no later than five (5) days prior to the first date on which the Company is obligated to make a payment to the Trustee pursuant to Section 3.6(a)(3) hereof.

(7) The Company and, as appropriate, the Authority will comply in all respects with the Special Arbitrage Instructions attached as Exhibit D hereto.

(8) The Company shall retain all records with respect to the calculations required by Sections 3.6(a)(2) and 3.6(a)(3) hereof for at least six years after the date on which the principal of and interest on the Bonds has been paid in full, whether upon maturity, redemption or acceleration thereof.

(9) The Company will value each Nonpurpose Obligation at its fair market value on and as of the date such obligation is acquired with Gross Proceeds or otherwise becomes a Nonpurpose Obligation.

(b) Notwithstanding any provision of this Section 3.6, if the Company shall provide to the Trustee and the Authority an opinion of Bond Counsel that any action required by this Section 3.6 or the Special Arbitrage Instructions is no longer required or that some further action is required to maintain the exclusion from federal income tax of interest on the Bonds, the Trustee and the Authority may rely conclusively on such opinion in complying with the requirements of this Section 3.6 and the Special Arbitrage Instructions, and the covenants hereunder shall be deemed modified to that extent.

(c) Notwithstanding any provision of this Section 3.6, if within six months from the date of issuance of the Bonds, (i) the Company delivers to the Authority and the Trustee a certification to the effect that all Gross Proceeds of the Bonds (excluding amounts in the Bond Fund) have been expended and that it is not anticipated that other Gross Proceeds will arise during the term of the Bonds and (ii) the Trustee and the Authority no longer hold any Gross Proceeds of the Bonds, the provisions of this Section 3.6 shall no longer be deemed applicable and no action required by this Section 3.6 need be taken; provided, however, that should Gross Proceeds (other than amounts in the Bond Fund) arise at any time thereafter, the provisions of this Section 3.6 shall apply to such Gross Proceeds. For purposes of this Subsection 3.6(c), the Authority and the Trustee may request, receive and rely with acquittance on an opinion of Bond Counsel to the effect that the Trustee and the Authority no longer hold any Gross Proceeds of the Bonds.

SECTION 3.7. NO FEDERAL GUARANTEE. Notwithstanding any other provision of this Loan Agreement, all money held by the Trustee after September 1, 1988, in any of the funds or accounts established pursuant to the Indenture shall, at the written direction of the Company, be (a) invested solely as part of a bona fide debt service fund or of a reserve fund which meets the requirements of Section 103(c)(4)(B) of the Code, or (b) invested solely in Government Obligations, unless the Company shall have furnished the Trustee a ruling of the Internal Revenue Service or an opinion of Bond Counsel to the effect that a proposed investment will not cause the interest on the Bonds to be subject to federal income taxation or California income taxation.

ARTICLE IV

COMPANY LOAN REPAYMENT

SECTION 4.1. PROVISIONS FOR REPAYMENT OF LOAN. The Company shall repay the Company Loan and interest thereon by payments in immediately available funds to the Trustee for deposit into the Revenue Fund as provided in Article III of the Indenture on the date payment is due by 10:00 a.m. Los Angeles time at its office in Los Angeles, California or at such other place within the continental United States as the Trustee may direct in writing.

The Company covenants and agrees to repay the Company Loan, together with interest and premium, if any, thereon, in payments in an amount which, together with other money available therefor under the Indenture, will be

sufficient to pay the interest, principal, and premium, if any, on the Outstanding Bonds, which will become due on each respective payment date.

Notwithstanding any payments made pursuant to the provisions of this Loan Agreement, if, on any date when interest, principal, or premium, if any, is to be paid, the balance in the Bond Fund available for such payment is insufficient to make the required payments on such date, the Company shall make an additional payment on such date in immediately available funds in the amount of such deficiency.

The obligation of the Company to make any payment hereunder with respect to the Company Loan and the Bonds shall be deemed satisfied and discharged to the extent of any Seasoned Funds applied by the Trustee to such obligation pursuant to the terms of the Indenture, to the extent of any monies applied by the Trustee to the payment of Company Bonds pursuant to the terms of the Indenture, and to the extent of payments made by the Bank to the Trustee under the Letter of Credit.

SECTION 4.2. PROVISIONS FOR PAYMENT OF PURCHASE PRICE. The Company shall pay, or cause to be paid, to the Trustee and the Tender Agent such amounts as shall be necessary to enable the Trustee and the Tender Agent to pay the purchase price of Bonds delivered for purchase pursuant to Sections 1301 and 1302 of the Indenture, such amounts to be paid by the Company to the Trustee and the Tender Agent on the dates such payments pursuant to Sections 1301 and 1302 of the Indenture are to be made; provided, however, that the obligation of the Company to make any such payment hereunder shall be reduced by the amount of any money available for such payment under Subsection 1307(b)(i) of the Indenture; and provided, further, that the obligation of the Company to make any payment hereunder shall be deemed to be satisfied and discharged to the extent of the corresponding payment made by the Bank under the Letter of Credit pursuant to Section 4.7 hereof.

SECTION 4.3. CREDITS. Anything herein to the contrary notwithstanding, any monies held by the Trustee in the Company Bond Account in the Bond Fund for the payment of principal of, premium, if any, and interest on Company Bonds, any Seasoned Funds at any time held by the Trustee in the Special Redemption Account and the Bond Payment Account in the Bond Fund for the payment of principal of, premium, if any, and interest on the Bonds (other than Company Bonds), and any Seasoned Funds on deposit in the Purchase Fund and any monies delivered to the Trustee pursuant to Subsection 1307(b)(i) of the Indenture for the payment of the purchase price of Bonds tendered for purchase pursuant to Section 1301 or 1302 of the Indenture shall be credited against the next succeeding payment referred to in Section 4.1 and 4.2 hereof and shall reduce such payment to the extent such amount is in excess of any amount required for payment of any principal or interest on the Bonds due but not yet paid or the purchase price of Bonds; and, provided, further, that if the amount of Seasoned Funds held by Trustee in the Special Redemption Account and the Bond Payment Account in the Bond Fund should be sufficient to pay at the times required, the principal of, premium, if any, and interest on the Bonds

(other than Company Bonds) then remaining unpaid and any other payments required hereunder, the Company shall not be obligated to make any further payments provided for in Section 4.1. or 4.2 hereof.

SECTION 4.4. OTHER PAYMENT OBLIGATIONS OF COMPANY. The Company shall make prompt payment of all amounts payable pursuant to this Loan Agreement when and as such payments become due. In addition, until payment in full of the Bonds shall have been made, the Company shall pay all Administration Expenses.

The Company agrees to pay directly to the Trustee, until payment in full of the Bonds shall have been made: the Ordinary Expenses and Extraordinary Expenses of the Trustee for acting hereunder and under the Indenture and the Intercreditor Agreement (including acting as paying agent and registrar for the Bonds) as defined in the Indenture, the reasonable fees and expenses of Trustee's Counsel, and any applicable fees of the California Industrial Development Financing Advisory Commission and the Authority.

SECTION 4.5. MANDATORY PREPAYMENT OF THE COMPANY LOAN. The Company Loan is subject to mandatory prepayment in whole at a prepayment price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption of the Bonds to be redeemed with such prepayment on the day selected by the Trustee to redeem Bonds after the Trustee has received notice of a Determination of Taxability.

The Company's obligation to make any payments under this Section 4.5 shall be deemed satisfied and discharged to the extent of the corresponding payment made by the Bank under the Letter of Credit. The Trustee shall deposit and use prepayments of the Company Loan pursuant to this Section in accordance with Section 306(A) of the Indenture.

SECTION 4.6. OPTIONAL PREPAYMENT OF THE COMPANY LOAN.

(a) In the event any monies remain in the Construction Fund on February 1, 1986, the Company may, at its option, prepay the Company Loan in an amount equal to the amount of monies remaining in the Construction Fund together with accrued interest to the date on which Bonds will be redeemed with such payment, on the third Business Day immediately preceding the first date for which notice of redemption of Bonds to be redeemed with such prepayment can be timely given, provided however, that in the event the amount of monies on deposit in the Construction Fund is not an integral multiple of $5,000, such prepayment shall be in an amount equal to the next greater integral multiple of $5,000.

(b) The Company may also, at its option, prepay the Company Loan in whole or in part, in any integral multiple of $100,000 prior to the Conversion Date, or in any integral multiple of $5,000 subsequent to the Conversion Date from Net Proceeds of insurance or condemnation 126 days immediately

preceding the date on which notice of redemption of Bonds to be redeemed with such prepayment is given.

(c) The Company, at its option, may prepay the Company Loan, prior to the Conversion Date, in whole or in part (other than from Net Proceeds of insurance or condemnation), in any integral multiple of $100,000, together with accrued interest to the date on which Bonds will be redeemed with such payment, 126 days preceding the date on which notice of redemption of Bonds to be redeemed with such prepayment is given.

(d) The Company may also, at its option, prepay the Company Loan, in whole or in part (other than from Net Proceeds of insurance or condemnation), 126 days preceding the date on which notice of redemption of Bonds to be redeemed with such prepayment is given, in any integral multiple of $5,000, at the prepayment prices set forth below, expressed as a percentage of the principal amount prepaid, together with accrued interest to the redemption date:

Redemption Date (Measured in terms of years following Conversion Date)	Prepayment Prices
September 1 of the fifth year through the next succeeding August 31	103%
September I of the sixth year through the next succeeding August 31	102
September 1 of the seventh year through the next succeeding August 31	101
September 1 of the eight year and thereafter	100

Except for prepayments made pursuant to Subsection 4.6(a) hereof, which shall be made from the proceeds of a draw upon the Letter of Credit, any optional prepayment of the principal of the Company Loan must be made by the Company to the Trustee at least 126 days prior to the date on which the Trustee mails notice of redemption of the Bonds to be redeemed with such prepayment, unless the Bank shall have delivered to the Trustee its written consent to a draw on the Letter of Credit for purposes of paying the principal amount of such prepayment. Any prepayment premium on the Company Loan must be deposited by the Company with the Trustee at least 126 days prior to the date on which the Trustee mails notice of redemption of the Bonds to be redeemed with such prepayment. The Trustee shall deposit and use prepayments of the Company Loan pursuant to this Section 4.6 in accordance with Section 305(B) of the Indenture. On the date of such payment, the Company shall give written notice to the Authority, the Bank and the Trustee of the principal amount to be optionally prepaid on the applicable redemption date. No optional prepayment

shall occur if an Act of Bankruptcy occurs within the 126-day period prior to the date notice of redemption is mailed. In such event, the Trustee shall deliver the funds of the Company furnished to it pursuant to this Section 4.6 to the Bank.

If, prior to the Conversion Date the principal amount of any optional prepayment in part shall not be an integral multiple $100,000 in the case of an optional prepayment (other than an optional prepayment pursuant to Subsection 4.6(a) hereof) then the required principal amount of such prepayment shall be deemed to be the next greater integral multiple of $100,000; provided, further if, following any such prepayment there shall be Outstanding any Bond of a denomination less than $500,000, then the required principal amount of any optional prepayment shall be deemed to be not less than $500,000. If, subsequent to the Conversion Date, or in the case of any optional prepayment pursuant to Subsection 4.6(a) hereof, the principal amount of any optional prepayment in part shall not be an integral multiple of $5,000, then the required principal amount of such prepayment shall be deemed to be the next greater integral multiple of $5,000, and any premium in connection with such prepayment shall be calculated using such greater amount.

SECTION 4.7. LETTER OF CREDIT.

(a) To secure its obligations to repay the Company Loan and its other obligations, agreements and covenants to be performed and observed hereunder, the Company hereby agrees to obtain the Letter of Credit and to do all things necessary to keep the Letter of Credit or Substitute Letter of Credit in full force and effect until the Company Loan is repaid in full.

(b) To satisfy the Company's obligations under Sections 4.1 and 4.2 hereof (other than with respect to Company Bonds), the Trustee shall and is hereby directed by the Company to, draw upon the Letter of Credit as follows:

(i) to the extent Seasoned Funds in the Bond Fund, as described in Section 306 of the Indenture are not available to pay interest on the Bonds (other than Company Bonds), when due on any Interest Payment Date, the Trustee shall draw upon the Letter of Credit no later than 10:00 a.m. Los Angeles time on the fourth Business Day immediately preceding such Interest Payment Date;

(ii) to the extent Seasoned Funds in the Bond Fund as described in Section 306 of the Indenture are not available to pay principal of the Bonds (other than Company Bonds), when due (whether by reason of maturity redemption, acceleration or otherwise) the Trustee shall draw upon the Letter of Credit no later than 10:00 a.m. Los Angeles time on the fourth Business Day immediately preceding such maturity date or date fixed for redemption; and

(iii) to the extent monies described in Section 1307(b)(i) and 1307(b)(ii) of the Indenture are not available to pay when due the principal of and accrued interest on Bonds tendered for purchase

pursuant to Section 1301 or 1302 of the Indenture, the Trustee shall draw upon the Letter of Credit no later than 10:00 a.m. Los Angeles time on the fourth Business Day immediately preceding the purchase date with respect to such Bonds.

In computing the amount of any drawing to pay interest on the Company Loan pursuant to Subsection 4.7(b)(i) or 4.7(b)(iii) hereof, the Trustee shall assume that interest on the Bonds will accrue at the Maximum Interest Rate during any period for which the Remarketing Agent has not yet determined the Adjustable Interest Rate pursuant to Section 203 of the Indenture.

The Trustee shall immediately give telephonic or telegraphic notice to the Company, the Authority, and the Bank upon failure of the Trustee to receive the proceeds of any draw upon the Letter of Credit in accordance with the terms of the Letter of Credit.

(c) The Company may, at its election and with the consent of the Bank, provide for one or more extensions of the Letter of Credit or provide a Substitute Letter of Credit pursuant to Section 4.7(d) hereof. Any Substitute Letter of Credit shall be delivered to the Trustee not less than thirty (30) days prior to the expiration of the term of the Letter of Credit.

(d) In the event that the Company shall deliver to the Trustee (i) a Substitute Letter of Credit (A) that is effective from a date not later than the date of the expiration of the Letter of Credit and extends to a period of one year or integral multiple thereof from the date of such expiration, (B) that has a stated amount equal to not less than the principal amount of the Bonds Outstanding plus 46 days' interest thereon at the Maximum Interest Rate or, in the case of a Post-Conversion Letter of Credit, a stated amount equal to the principal amount of the Bonds Outstanding, plus 186 days' interest at the Fixed Interest Rate, and, (C) that has terms relating to the ability of the Trustee to make drawings thereunder that are substantially identical to those of the Letter of Credit, (ii) an opinion of Bond Counsel stating that the delivery of such Substitute Letter of Credit to the Trustee is authorized under this Loan Agreement and that such Substitute Letter of Credit complies with the terms hereof, (iii) opinions of Counsel in form and substance satisfactory to the Trustee to the effect that (A) the Substitute Letter of Credit is the valid and binding obligation of the Bank, enforceable against the Bank in accordance with its terms, except insofar as its enforceability may be limited by any insolvency or similar proceedings applicable to the Bank or by proceedings affecting generally the rights of the Bank's creditors, and that (B) a payment on the Bonds from the proceeds of a drawing on the Substitute Letter of Credit will not constitute a voidable preference under the Federal Bankruptcy Code or under other applicable laws and regulations in the event of a bankruptcy or insolvency of any entity other than the Bank; and (iv) written evidence from Moody's to the effect that such rating agency has reviewed the proposed Substitute Letter of Credit and that the substitution of the proposed Substitute Letter of Credit for the Letter of Credit will not, by itself, result in a reduction of its ratings of the Bonds from those which then prevail, and if the administrative provisions of such Substitute

Letter of Credit are reasonably satisfactory to the Trustee, acting in good faith, the Trustee shall accept such Substitute Letter of Credit and promptly surrender the Letter of Credit to the Bank for cancellation.

SECTION 4.8 AUTHORITY SECURITY DOCUMENTS. To further secure its obligations to repay the Company Loan and its other obligations, agreements and covenants to be performed and observed hereunder the Company will execute and deliver to the Authority concurrently herewith, the First Deed of Trust and the First Fixture Filing, duplicate originals of which shall have been duly recorded in the Official Records of the County, the First Security Agreement, and the First Financing Statement, a duplicate original of which shall have been duly filed in the Office of the California Secretary of State.

SECTION 4.9. OBLIGATIONS ABSOLUTE AND UNCONDITIONAL. All of the obligations of the Company under this Loan Agreement, including, but not limited to, the obligations to make the payments required to be made under this Loan Agreement and to perform and observe the other covenants, terms and conditions applicable to it contained herein shall be absolute and unconditional and shall not be subject to diminution by set-off, counterclaim, abatement or otherwise until such time as the principal of and interest on the Bonds shall have been paid fully or provision for the payment thereof shall have been made in accordance with this Loan Agreement and the Indenture. The Company (a) will not suspend or discontinue any payments required to be made under this Loan Agreement except to the extent the same have been prepaid, (b) will perform and observe all its other covenants, terms and conditions contained in this Loan Agreement and (c) except as provided in Section 4.6 hereof, will not terminate this Loan Agreement for any cause, including, without limiting the generality of the foregoing, failure to complete the Project, any acts or circumstances that may constitute failure of consideration, sale, loss, destruction or condemnation of or damage to the Project or commercial frustration of purposes, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of the Authority to perform and observe any covenant, term or condition whether express or implied, or any duty, liability or obligation arising out of or in connection with this Loan Agreement. The Company hereby waives to the extent permitted by law, any and all rights which it may now have or which at any later time may be conferred upon it, by statute or otherwise, to terminate or cancel, or to limit its liability, except as provided in Section 4.6 hereof. Nothing contained in this Section shall be construed to release the Authority from the performance of any of the covenants, terms or conditions applicable to it contained herein; and in the event the Authority should fail to perform any such covenant, term or condition the Company may institute such action against the Authority as the Company may deem necessary to compel such performance so long as such action does not result in a breach of the covenants and conditions on the part of the Company contained in this Section.

ARTICLE V

THE PROJECT

SECTION 5.1. COMPANY COVENANTS CONCERNING THE PROJECT. (a) The Company agrees that the acquisition, construction and equipping of the Project will be completed with all reasonable dispatch and that it will exercise due diligence in completing the Project, but if for any reason the Project is not completed, there shall be no resulting liability on the part of the Authority and no diminution in or postponement of the Company's obligation to make any payments required under this Loan Agreement. The Company agrees to make, execute, acknowledge and deliver, or cause to be made, executed, acknowledged and delivered, any contracts, orders, receipts, writings and instructions with any Persons and in general to do all things which it deems requisite or proper to accomplish the timely completion of the Project.

(b) The acquisition, construction, equipping and completion of the Project shall be accomplished in accordance with the Project Summary, as amended from time to time by the Company and approved by the Authority; provided, however, that no material amendment shall be made in the Project Summary unless there shall be filed with the Authority and the Trustee an opinion of Bond Counsel satisfactory to the Trustee stating that such amendment and the expenditure of money from the Construction Fund to pay Project Costs in accordance with the Project Summary as amended will not change the nature of the Project as a "project" within the meaning of the Act and will not impair the exemption of the interest on the Bonds from Federal income taxation pursuant to Section 103(b)(6)(D) of the Code.

(c) In the event the monies in the Construction Fund and the Earnings Fund available for payment of the Project Costs are insufficient to pay the Project Costs in full, the Company agrees for the benefit of the Authority and the Owners of the Bonds to complete the Project or to cause the Project to be completed and to pay or cause to be paid that portion of the Project Costs in excess of the money available therefor in the Construction Fund and the Earnings Fund; provided that no such payment shall be made by the Company hereunder which would result in the loss of the exemption from federal income taxation of interest on the Bonds. In the case of any such amounts the Company proposes to cause to be provided by others, the Company shall provide satisfactory evidence to the Authority that such amounts will be provided when required to complete the Project in a timely manner.

The Authority disclaims any warranty, express or implied, that the money which will be paid into the Construction Fund and the Earnings Fund will be sufficient to pay all Project Costs. The Company agrees that if, after exhaustion of the money in the Construction Fund and the Earnings Fund, it should pay any portion of the Project Costs pursuant to the provisions of this Section, it shall not be entitled to any reimbursement therefor from the Authority, from the Trustee or from the owners of the Bonds, nor shall it be entitled to any diminution in or postponement of its obligations, or any amounts payable by it hereunder.

SECTION 5.2. ESTABLISHMENT OF COMPLETION DATE. The Completion Date shall be evidenced to the Trustee by a Certificate signed by the Authorized Company Representative in the form attached hereto as Exhibit C. The Company shall deliver the Completion Certificate to the Trustee as soon as practicable after the completion of the Project.

Upon receipt of the Completion Certificate, the Trustee shall retain in the Construction Fund a sum equal to the amounts, if any, necessary for the payment of Project Costs not then due and payable to the extent such amounts are set forth and identified as such in the Completion Certificate; the remaining amounts in the Project Fund shall immediately be transferred by Trustee into the Special Redemption Account in the Bond Fund unless, in the opinion of Bond Counsel another use of such funds will not impair the exemption of interest on the Bonds from Federal or State income taxation. Amounts held in the Special Redemption Account shall be invested at the written direction of the Company solely in obligations of a state, territory or a possession of the United States or any political subdivision of the foregoing, the interest on which is exempt from federal income taxation under Section 103(a) of the Code. Money in the Special Redemption Account shall be applied to make the principal payments on or to redeem the Bonds at the earliest redemption date permitted by the Indenture, and the Authority and the Company consent to any such redemption. The Company shall pay any costs incurred with respect to such redemption, including any premium required by the Indenture to be paid on such redemption. Any amounts remaining in the Special Redemption Account as of the maturity date of the Bonds may be used to make all or a portion of the principal payment due on such date.

ARTICLE VI

COVENANT TO COMPLY WITH INDENTURE

SECTION 6.1. FINANCING STATEMENTS; FURTHER ASSURANCES. The Company agrees to execute and file or cause to be executed and filed any and all financing statements or amendments thereof or continuation statements necessary to perfect and continue the perfection of the security interests granted in the Indenture. The Company shall pay all costs of filing such instruments. The Company further agrees to cause the Trustee to execute or join in the execution of any such further or additional instruments and file or join in the filing thereof at such time or times and in such place or places as may be necessary to preserve the lien of the Indenture on the Trust Estate, or any part thereof, subject to the provisions of Section 704 of the Indenture.

SECTION 6.2. PAYMENTS ASSIGNED AND PLEDGED. The Company understands and agrees that all payments required to be made to the Authority under this Loan Agreement, and all right, title and interest of the Authority in and to this Loan Agreement (other than the rights of the Authority pursuant to Sections 4.4 and 8.2 hereof), are assigned and pledged to the Trustee under the Indenture. The Company consents to such assignment and further agrees that all payments under this Loan Agreement, unless otherwise specifically provided herein, shall

be paid directly to the Trustee for the account of the Authority and shall be applied as set forth herein and in the Indenture.

SECTION 6.3. COMPANY'S PERFORMANCE UNDER INDENTURE. The Company shall, for the benefit of the Owners of the Bonds and the Trustee, do and perform all acts and things that are to be done or performed by it under the terms of the Indenture.

ARTICLE VII

INSURANCE, DAMAGE, DESTRUCTION AND CONDEMNATION

SECTION 7.1. INSURANCE. The Company agrees that it will at its own expense obtain and maintain extended insurance coverage with respect to the Project insuring against loss or damage from such perils usually insured against by businesses operating or owning like properties, and shall maintain public liability insurance and all workmen's compensation or other similar insurance as may be required by law. Prior to the Completion Date, the Company will at its own expense maintain builders' risk or such other similar insurance. The Company will cause the Trustee to be named as loss payee or as an additional insured under such coverage.

All such insurance shall be placed with generally recognized responsible insurance companies organized under the laws of one of the states of the United States and qualified to do business in the State. All policies of fire and extended coverage insurance may be written with deductible amounts as now provided in the existing policies of the Company or as may be from time to time consistent with customary insurance practices in the industry.

Upon execution and delivery of this Loan Agreement, and thereafter not less thirty (30) days prior to the expiration dates of any policies, if requested by the Authority, the Company shall deliver to the Authority certificates issued by the respective insurers of the policies obtained by the Company in accordance with this Section. If requested in writing by the Authority, the Company shall furnish the Authority with a schedule of premium payment dates and receipted bills or other evidence satisfactory to the Authority of the payment when due of all premiums for all policies of insurance at any time required to be maintained hereunder. Upon reasonable prior written notice, the Company will permit the Authority or the Trustee to visit the offices of the Company and inspect the Company's insurance records, including all policies of insurance maintained pursuant to this Loan Agreement, and to make copies of all or any part thereof.

SECTION 7.2. DAMAGE, DESTRUCTION AND CONDEMNATION. If prior to full payment of the Bonds (or provision for payment thereof in accordance with the provisions of the Indenture) (a) the Project or any portion thereof are destroyed (in whole or in part) or are damaged by fire or other casualty, or (b) title to, or the temporary use of, the Project or any portion thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any

person, firm or company acting under governmental authority, the Company shall nevertheless be obligated to continue to pay all amounts due hereunder, unless such amounts are prepaid in accordance with Section 4.6 hereof.

SECTION 7.3. APPLICATION OF NET PROCEEDS. The Net Proceeds, if any, of any insurance and/or condemnation awards resulting from the damage, destruction or condemnation of the Project or any portion thereof shall be deposited and applied in one or more of the following ways as shall be elected by the Company in a written notice to the Authority and the Trustee:

(a) for credit to the Insurance and Condemnation Proceeds Account to be applied to the prompt repair, restoration, relocation, modification or improvement of the stage of completion of construction of the damaged, destroyed or condemned portion of the Project to enable such portion of the Project to accomplish the purposes that such portion of the Project was designed to accomplish prior to such damage or destruction or exercise of such power of eminent domain. Any balance of Net Proceeds remaining after such work has been completed shall be transferred by the Trustee to the Company Monies Account to be applied to the prepayment of the Company Loan pursuant to Section 4.6(b) hereof; or

(b) for credit to the Company Monies Account to be applied to the prepayment of the Company Loan pursuant to Section 4.6(b) hereof.

SECTION 7.4. INVESTMENT OF NET PROCEEDS. Any Net Proceeds held pending repair, restoration or relocation shall be invested at the written direction of the Company solely in obligations of a state, territory or a possession of the United States or any political subdivision of the foregoing, the interest on which is exempt from federal income taxation under Section 103(a) of the Code. Any earnings or profits on such investments shall be considered part of the Net Proceeds.

SECTION 7.5. INSUFFICIENCY OF NET PROCEEDS. If the Project or a portion thereof is to be repaired, restored, relocated, modified or improved pursuant to Section 7.3(a) hereof and if the Net Proceeds are insufficient to pay the cost of such repair, restoration, relocation, modification or improvement, the Company will nonetheless cause the work to be completed and will pay or cause to be paid any cost in excess of the amount of the Net Proceeds available therefor. The Authority shall have no obligation to complete the Project or repair, restoration, relocation, modification or improvement of the Project.

SECTION 7.6. COMPANY-OWNED PROPERTY. The Company shall be entitled to any condemnation award or insurance proceeds or portion thereof, in the full amount remaining after deducting all expenses (including attorneys' fees) incurred in the collection of such award or proceeds from the gross amount thereof, for damages to, destruction of or takings of its own property not included in the Project.

SECTION 7.7 TITLE INSURANCE. The Company will obtain and cause to be delivered to the Trustee on the Bond Issuance Date, the Title Policy. Any Net Proceeds of title insurance shall be applied in accordance with Section 7.3 hereof.

ARTICLE VIII

ADDITIONAL COVENANTS

SECTION 8.1. MAINTENANCE AND OPERATION OF PROJECT; TAXES. The Company will at its own expense maintain and operate the Project. The Company will pay, or cause to be paid, all taxes levied with respect to the Project and the income therefrom, including any assessments or other public charges secured by liens upon the Project or the Company's interests therein.

SECTION 8.2. AUTHORITY'S EXPENSES; RELEASE AND INDEMNIFICATION. Whether or not the transactions contemplated by this Loan Agreement and the Indenture are consummated, the Company shall:

(a) hold the Authority harmless against, and pay, any liability for the payment of out-of-pocket expenses arising in connection with the transactions contemplated hereby, including the reasonable fees and expenses of the Authority's Counsel; and

(b) protect and indemnify the Authority or the Trustee, its directors, officers, agents and employees from and against all liability, losses, damages, costs, expenses (including attorneys' fees), taxes, causes of action, suits, claims, demands and judgments of any nature of, from, by or on behalf of any Person arising in any manner from the transaction of which this Loan Agreement is part or arising in any manner in connection with the Project or the financing of the Project, including, without limiting the generality of the foregoing, those arising from (i) any work done in connection with, or the operation of the Project during the term of this Loan Agreement, (ii) any breach or default on the part of the Company in the performance of any of its obligations under this Loan Agreement or the Indenture, (iii) the Project or any part thereof, (iv) any violation of contract, agreement or restriction by the Company relating to the Project, this Loan Agreement or the Indenture, (v) any violation of law, ordinance or regulation affecting the Project or any part thereof or the ownership or occupancy or use thereof, or (vi) any untrue statement or alleged untrue statement of any material fact or the omission or alleged omission to state a material fact necessary to make the statements made not misleading in any statement, information or material furnished by the Company to the Authority, including, but not limited to, any statement, information or material furnished by the Company for inclusion in any disclosure document utilized by the Authority in connection with the sale of the Bonds; provided, however, that nothing herein shall be construed as requiring indemnity for any liability resulting from willful misconduct or gross

negligence on the part of the Authority, its directors, officers, agents or employees, or as requiring indemnity for any liability resulting from willful misconduct or negligence on the part of the Trustee, its directors, officers, agents or employees.

It is the intention of the parties that the Authority and the Trustee, their directors, officers, agents and employees shall not incur pecuniary liability by reason of the terms of this Loan Agreement, or of the Indenture, or by reason of the undertakings required by the Authority or the Trustee, as the case may be, its or their directors, officers, agents and employees hereunder or thereunder in connection with the issuance of the Bonds, the execution of the Indenture, the performance of any act by the Authority or the Trustee, as the case may be, its or their directors, officers, agents and employees required by this Loan Agreement or the Indenture, or the performance of any act by the Authority or the Trustee, as the case may be, its or their directors, officers, agents and employees requested by the Company or in any way arising from the transaction of which this Loan Agreement and the Indenture are a part or arising in any manner in connection with the Project or the financing of the Project; nevertheless, if the Authority or the Trustee or any of its or their directors, officers, agents or employees should incur any such pecuniary liability, the Company shall indemnify and hold harmless Authority and/or the Trustee, as the case may be, and its or their directors, officers, agents and employees against all claims, costs and expenses incurred by them in connection with any such claim or in connection with any action or proceeding brought in connection with any action or proceeding brought thereon. The Authority and/or the Trustee shall promptly notify the Company of any action or proceeding brought in connection with any of the above, and the Authority and the Trustee agree that they will not settle any such action or proceeding without the prior written consent of Company which consent shall not be unreasonably withheld. The Company shall, in its own name or in the name of the Authority and/or the Trustee, be responsible for and control the defense of the Authority and/or the Trustee, as the case may be, its or their directors, officers, agents and employees in any such action or proceeding, and the Authority and the Trustee agree to cooperate fully with the Company and to take all reasonable action necessary, to the extent it might lawfully do so, to effect the substitution of the Company for the Authority and/or the Trustee in such action or proceeding. The provisions of this Section shall not apply to any claim or liability resulting from any act of gross negligence, willful misconduct, bad faith, fraud or deceit on the part of the Authority or its directors, officers, agents or employees, or to any claim or liability resulting from any act of negligence, willful misconduct, bad faith, fraud or deceit on the part of the Trustee or its directors, officers, agents or employees.

SECTION 8.3. MAINTENANCE OF CORPORATE EXISTENCE; QUALIFICATION IN THE STATE. The Company shall, so long as the Bonds remain Outstanding, maintain its corporate existence and qualification to do business in the State and shall not dissolve or otherwise dispose of all or substantially all of its assets nor merge into or consolidate with any other company or entity or permit one or more other companies to consolidate or merge with it, except as provided below.

The Company may consolidate with or merge with another company incorporated and existing under the laws of one of the states of the United States of America or permit one or more other foreign or domestic companies to consolidate with or merge with it, or sell or otherwise transfer to another domestic or foreign company all or substantially all of its assets as an entirety and thereafter dissolve; provided, it furnishes to the Authority and the Trustee an opinion of Bond Counsel stating that such consolidation, merger, sale or transfer will not adversely affect the exemption from federal income taxation of interest on the Bonds, provided further, in the event the Company is not the surviving, resulting or transferee company, as the case may be, that the surviving, resulting or transferee company (a) assumes in writing all of the obligations of the Company hereunder, and (b) is, or as soon as practicable becomes, qualified to do business in the State.

SECTION 8.4. REQUIREMENT FOR CERTAIN NOTICES. The Company shall give prompt written notice to the Authority and the Trustee of (i) any Event of Default or any event which, upon a lapse of time or notice or both, would become an Event of Default; and (ii) the occurrence of a Determination of Taxability or any event which upon a lapse of time or notice or both would result in a Determination of Taxability.

SECTION 8.5. COOPERATION. The Company agrees that it will perform, on request of the Authority, such reasonable acts as may be necessary or advisable to carry out the intent of this Loan Agreement or of the Indenture.

SECTION 8.6. ACCESS TO BOOKS AND RECORDS. The Company shall maintain adequate books, accounts and records in compliance with the regulations of any governmental regulatory body having jurisdiction thereof. The Company shall permit employees or agents of the Authority or the Trustee, at any reasonable time and upon reasonable prior notice, to inspect the Company's properties and to examine or audit the Company's books, accounts and records and make copies and memoranda thereof.

SECTION 8.7. COMPLIANCE WITH LAWS. The Company agrees that it will at all times comply with, or cause to be complied with, all laws, statutes, rules, regulations, orders and directions of any governmental authority having jurisdiction over the Company or its business if a breach of any such law, statute, rule, regulation, order, or direction would materially and adversely affect the Project, except where contested in good faith and by proper proceedings.

SECTION 8.8. LIMITATION ON ASSIGNMENT OF LOAN AGREEMENT. Except as provided in Section 8.3 hereof, and the Intercreditor Agreement, this Loan Agreement, the Company's rights hereunder, the proceeds of the Loan and the use thereof may not be assigned by the Company without the prior written consent of the Authority. Any such assignment by the Company shall not relieve the Company of primary liability for payments due under this Loan Agreement and of the performance of all other obligations required under this Loan Agreement. In addition, subject to the terms of the Intercreditor Agreement, any assignee or transferee shall assume the obligations of the Company

hereunder to the extent of the interest assigned or transferred, and the Company shall forthwith furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of all documents evidencing such assignment or transfer and assumption of obligations.

Subject to the provisions of the Intercreditor Agreement, the Company covenants and agrees that it shall not, without the prior written consent of the Authority and the Trustee, sell, lease, convey or encumber the Project and any or all of its rights therein. Any such sale, lease conveyance or encumbrance shall not relieve the Company of primary liability for payments due under this Loan Agreement and of the performance of all other obligations under this Loan Agreement. Notwithstanding the foregoing, the Authority and the Trustee shall not consent to the sale, lease conveyance or encumbrance by the Company of the Project or of any or all of its rights therein unless the Trustee and the Authority shall have received an opinion of Bond Counsel stating that such sale, lease conveyance or encumbrance will not adversely affect the exemption from federal income taxation of interest on the Bonds.

SECTION 8.9. WAGES. In accordance with Section 91533(1) of the Act, the Company agrees that on any construction, improvement, reconstruction or rehabilitation financed in whole or in part with proceeds of the Bonds all workers employed in such work, exclusive of maintenance work, will be paid not less than the general prevailing rate of per diem wages for work of a similar character in the locality in which the work is performed, and not less than the general prevailing rate of per diem wages for holiday and overtime work. Such rates shall be as determined by the Director of the Department of Industrial Relations of the State in accordance with the standards set forth in Section 1773 of the California Labor Code and Sections 1773.1, 1773.5, 1774 and 1776 (excepting subdivision (f)) of such Labor Code shall apply.

ARTICLE IX

DEFAULTS AND REMEDIES

SECTION 9.1. EVENTS OF DEFAULT. The following shall be "Events of Default" under this Loan Agreement and the term "Event of Default" shall mean, whenever it is used in this Loan Agreement, any one or more of the following events:

(a) failure by the Company to pay or cause to be paid when due the amounts required to be paid under this Loan Agreement and such failure for a period of three Business Days;

(b) failure by the Company to observe and perform any covenant, condition or agreement on its part contained in Section 2.3 and 3.6 hereof or of any other covenant with respect to the tax-exempt status of interest on the Bonds herein or any covenant, condition or agreement on its part with respect to the tax-exempt status of interest on the Bonds in any other

document or instrument executed by the Company in connection herewith; or

(c) any representation or warranty by the Company contained in Section 2.3 of this Loan Agreement or any related instruments or certificates relating to the tax-exempt status of interest on the Bonds is false or misleading in any material respect as of the date of the making or furnishing thereof.

No default under Subsections 9.1(b) or (c) above shall constitute an event of default until written notice of such default shall be given to the Company by the Trustee or the Authority, and the Company shall have had thirty (30) days after receipt of such notice to correct such default or cause such default to be corrected, and shall not have corrected such default or caused such default to be corrected within the applicable period unless the Trustee shall agree to an extension of such time period or if the breach or failure is such that it cannot be corrected within the applicable period, corrective action is instituted by the Company within the applicable period and diligently pursued until the default is corrected. The Authority and the Trustee shall send a copy of any notice sent pursuant to this Section 9.1 to the Bank.

SECTION 9.2. REMEDIES ON DEFAULT. Subject to the terms and conditions of the Intercreditor Agreement, whenever any Event of Default pursuant to Sections 9.1(a) hereof shall have happened and be continuing, the Trustee shall, and whenever any other Event of Default shall have happened and be continuing may (and upon the direction of the Owners of twenty-five percent (25%) in aggregate principal amount of the Outstanding Bonds shall), take any one or more of the following steps:

(a) By written notice to the Company and the Bank declare an amount equal to (i) the then unpaid amount of the Company Loan plus (ii) all interest on the Company Loan then due and accrued to the date of redemption of the then Outstanding Bonds, plus (iii) unless actually being contested as specifically provided herein, any other amounts due hereunder, to be immediately due and payable, whereupon the same shall become immediately due and payable by the Company to the Trustee;

(b) Have reasonable access to and inspect, examine and make copies of the books and records and any and all accounts, data and income tax and other tax returns of the Company during regular business hours of the Company if reasonably necessary in the opinion of the Trustee; and

(c) Seek recovery under the Letter of Credit in an amount sufficient to pay the principal due on the Company Loan plus accrued interest thereon to the date of redemption of the then Outstanding Bonds.

In addition, the Trustee may take whatever action at law or in equity may appear necessary or desirable to collect any amounts then due and thereafter to become due hereunder or to enforce the observance or

performance of any obligation, agreement or covenant of the Company under this Loan Agreement.

Any amounts collected pursuant to action taken under this Section, after retention of the costs involved in such collection, shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture, and after payment in full of the Bonds and all other amounts payable under the Indenture, and the payment of any costs occasioned by an Event of Default hereunder, except as provided in Section 3.6 hereof, any excess money in the Funds and Accounts held by the Trustee (other than money held for payment of the Bonds) shall be paid to the Bank.

SECTION 9.3. NO REMEDY EXCLUSIVE. No remedy herein conferred upon or reserved to the Trustee is intended to be exclusive of any other available remedy or remedies but each and every such remedy shall be cumulative and shall be in addition to every other remedy herein or now or hereafter existing at law, in equity or by statute. No delay or omission to exercise any right or power accruing upon an Event of Default shall impair any such right or power or shall be construed to be a waiver thereof (unless expressly waived by the Trustee), but any such right or power may be exercised from time to time and as often as may be deemed expedient. The Trustee and the Owners of the Bonds, subject to the provisions of the Indenture, shall be entitled to the benefit of all agreements herein contained.

SECTION 9.4. ATTORNEYS' Fees and Expenses. Should an Event of Default occur and the Trustee employ attorneys or incur other expenses for the collection of amounts due hereunder or the enforcement of performance of any obligation of the Company hereunder, the Company shall on demand pay to the Trustee the reasonable fees and expenses of such attorneys and such other reasonable expenses so incurred.

SECTION 9.5. NO IMPLIED WAIVER. In the event any agreement, covenant or condition contained in this Loan Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE X

MISCELLANEOUS

SECTION 10.1. TERM OF THIS LOAN AGREEMENT. This Loan Agreement shall remain in full force and effect from the date hereof until such time as the Bonds shall have been fully paid, or provision made for such payment, and the fees and expenses of the Trustee and any amounts due the Authority hereunder or under the Indenture shall have been fully paid; provided, however, that this Loan Agreement may be terminated, subject to the provisions of this paragraph, by written notice from either party to the other prior to said date if the

Company shall prepay all amounts payable hereunder pursuant to and in accordance with Sections 4.5 and 4.6 hereof.

SECTION 10.2. NOTICES. Except as otherwise specifically provided herein, all notices, approvals, consents, requests and other communications hereunder shall be in writing and shall be deemed to have been given when such writing is delivered or mailed by first class registered or certified mail, postage prepaid, addressed as follows:

(a) If to the Company: Calavo Growers of California
P.O. Box 3486 Terminal Annex
Los Angeles, California 90054

(b) If to the Authority: Riverside County Industrial Development Authority
3470 Twelfth Street
Riverside, California 92501

(c) If to the Trustee: First Interstate Bank of California
707 Wilshire Boulevard, 10th Floor
Los Angeles, California 90071
Attention: Corporate Trust Department (W 10-2)

(d) If to the Bank: Security Pacific National Bank
333 South Hope Street
Los Angeles, California 90071
Attention: Walter L. Johnson

A duplicate copy of each notice, certificate or other communication given hereunder by either the Authority, the Company or the Trustee to any one of the others shall also be given to all of the others. The Authority, the Company and the Trustee may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

SECTION 10.3. POWER OF AUTHORIZED COMPANY REPRESENTATIVE. Whenever the Company's approval is required under the provisions of this Loan Agreement or the Authority or the Trustee is required to take some action at the request of the Company, the approval or request shall be made by the Authorized Company Representative unless otherwise specified in this Loan Agreement. The Authority and the Trustee shall be authorized to act on any such approval or request and the Company shall have no complaint against the Authority or the Trustee that such request was unauthorized.

SECTION 10.4. BINDING EFFECT. This Loan Agreement shall inure to the benefit of and shall be binding upon the Authority, the Company and their respective successors and assigns.

SECTION 10.5. SEVERABILITY. In the event any provision of this Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

SECTION 10.6. AMOUNTS REMAINING IN FUNDS. Except as expressly provided in Section 3.6 hereof, any amounts remaining in the Funds and Accounts held by the Trustee upon expiration or sooner termination of and as provided in this Loan Agreement, shall be paid by the Trustee to the Bank.

SECTION 10.7. AMENDMENTS, CHANGES AND MODIFICATIONS. Except as otherwise provided in this Loan Agreement or in the Indenture, subsequent to the issuance of the Bonds and prior to their payment in full (or provision therefor made in accordance with the Indenture), this Loan Agreement may not be amended, changed, modified, altered or terminated except as provided in Article XI of the Indenture.

SECTION 10.8. EXECUTION IN COUNTERPARTS. This Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 10.9. CAPTIONS. The captions or headings in this Loan Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provision of this Loan Agreement.

SECTION 10.10. LAW GOVERNING CONSTRUCTION OF LOAN AGREEMENT. This Loan Agreement shall be governed by and construed in accordance with the laws of the State.

SECTION 10.11. NO RIGHTS CREATED IN THIRD PARTIES. The terms of this Loan Agreement are not intended to establish nor to create any rights in any persons other than the Authority, the Company, the Trustee and the Owners of the Bonds and the respective successors of each.

SECTION 10.12. BENEFIT OF THE OWNERS OF THE BONDS. This Loan Agreement is executed in part to induce the purchase by others of the Bonds to be issued by the Authority, and accordingly all covenants and agreements on the part of the Company and the Authority as set forth in this Loan Agreement are hereby declared to be for the benefit of the Owners from time to time of the Bonds.

SECTION 10.13. NOTICE OF TAXABILITY. In the event the Trustee receives written notice from any Owner of Bonds stating that (i) the Owner of Bonds has been notified in writing by the Internal Revenue Service that it proposes to include the interest on any Bonds in the gross income of such Owner of Bonds for the reasons described herein or any other proceeding has been instituted against such Owner of Bonds which may lead to a final decree, judgment, or action as described herein, and (ii) such Owner of Bonds will afford the Company the opportunity to contest the same, either directly or in the name

of the Owner of Bonds, and file an action for judicial review then the Trustee shall promptly give notice thereof to the Company, the Authority and the Bank.

IN WITNESS WHEREOF, the Authority and the Company have caused this Loan Agreement to be executed in their respective corporate names, all as of the date first above written.

RIVERSIDE COUNTY INDUSTRIAL
DEVELOPMENT AUTHORITY

[SEAL]

By /s/ PATRICIA LARSON

Chairman

ATTEST:

By /s/ GERALD A. MALONEY

Secretary

CALAVO GROWERS OF CALIFORNIA

By /s/ EGIDIO CARBONE

Its Vice President and Secretary

EXHIBIT A

PROJECT SUMMARY

TEMECULA PROJECT
COST ESTIMATE AND TIME TABLE
REVISED 8/7/85

	Type	Supplier	Cost	Original Budget	Finish
A)	Architecture	Kulweic	$117,584	$140,000	June
B)	Building:	HMH			
	1 - Earthwork		$ 55,300		June 30
	2 - Site Utilities		33,900		July 31
	3 - Storm Drain		7,145		August
	4 - Asphalt paving		101,717		Nov. 15
	5 - Chain link fence		13,250		Dec. 15
	6 - Landscape and Irrigation		27,855		Dec. 21
	7 - Fine Grade and Fill Planters		5,000		Nov. 30
	8 - Building and Site Concrete		653,211		Oct. 31
	9 - Concrete floor seal		1,625		Nov. 15
	10 - Structural Steel		65,689		Oct. 31
	11 - Rough carpentry		49,661		Oct. 31
	12 - Panelized Roof		171,998		Sept. 30
	13 - Truss Joist		6,000		Oct. 15
	14 - Cabinet Work		1,950		Nov. 30
	15 - Thermal & Sound Insulation		10,611		Oct. 31
	16 - Cooler Construction		264,856		Oct. 25
	17 - Built up Roofing		49,900		Oct. 15
	18 - Flashing and Sheet Metal		8,250		Oct. 15
	19 - Skylights and Roof Hatch		3,789		Oct. 15
	20 - Sealants and Caulking		5,000		Oct. 31
	21 - Doors, Frames and Hardware		11,000		Nov. 15
	22 - Install Doors and Frames		2,240		Nov. 15
	23 - Overhead Coiling Doors		26,000		Nov. 15
	24 - Glass and Glazing		14,234		Nov. 21
	25 - Lath and Plaster		8,500		Oct. 31
	26 - Gypsum Drywall		21,700		Nov. 15
	27 - Ceramic Tile		11,624		Nov. 21
	28 - Acoustical Tile		8,474		Dec. 15
	29 - Carpet and Resilent Tile		9,474		Dec. 15

Temecula Project
Cost Estimate and Time Table
Revised 8/7/85

Page Two

	Type	Supplier	Cost	Original Budget	Finish
	30 - Painting		$ 75,000		Dec. 21
	31 - Toilet Partition		2,559		Dec. 15
	32 - Toilet Accessories		2,921		Dec. 15
	33 - Dock Equipment		9,496		Nov. 30
	34 - Plumbing		63,600		Dec. 21
	35 - HV & AC		148,875		Dec. 21
	36 - Fire Sprinklers		92,000		Dec. 15
	37 - Cooler Pads/Condensable Pipe		8,500		Nov. 15
	38 - Electrical		226,200		Dec. 21
	39 - Light Pole Bases		3,000		Nov. 30
	40 - Interior Plenum Walls		24,952		Oct. 21
	41 - Super. and Misc. Job Expense		72,500		Dec. 31
	42 - Overhead and profit		130,894		Dec. 31
	TOTAL		$2,510,778	$3,020,000	
C)	Refrigeration	Am. Refrig	328,702		
D)	Electrical		135,000	135,000	
E)	Utility Connections	SCE	2,112	--	
F)	Sizer Line	D. Waylan	277,622	233,180	
G)	Bin Dump - Grading Line	Packers Mfg	302,500	427,690	
H)	Packing Tubs (100)		77,910	71,250	
I)	Packer Stands (30)		14,278	22,800	
J)	Scales	Durand	14,000	14,000	
K)	Forklifts (8)	Hyster	178,640	208,000	
L)	5 Pallet forklift	Hyster	51,767	65,000	
M)	Bin hoist		6,000	6,000	
N)	Vibrator count fill		10,000	--	
	Pallet jacks (2)		1,200	1,200	
P)	Box former and sealer	Weyerhauser	N/C	N/C	
Q)	Pallet Squeeze Converter		5,000	8,600	

Temecula Project
Cost Estimate and Time Table
Revised 8/7/85

Page Two

	Type	Supplier	Cost	Original Budget	Finish
R)	Shop Equipment		$ 7,000	$ 7,000	
S)	Office Equipment and Lunch Room		10,000	10,000	
T)	Telephone system		12,000	12,000	
U)	Office Furniture		15,000	15,000	
V)	Computer	IBM	10,000	10,000	
W)	Air Compressor		11,000	13,000	
X)	Bin Sanitizer	McGuire	7,500	7,500	
Y)	Dry Matter Test Equipment		6,000	6,000	
Z)	Water Treatment System		3,000	3,000	
AA)	Day Coders	Menke	1,200	1,200	
B)	Pack Station Stamps		2,000	2,000	
CC)	Freight		6,000	--	
	Sub-Total		$4,109,793	$4,439,620	
	Sales Tax		11,225	42,530	
	Interest on Project		248,500	248,500	
	Contingency		171,129	--	
	Permits and Fees		12,338		
	TOTAL CONSTRUCTION COST		$4,552,985	$4,730,650	

EXHIBIT B

FUNDING REQUISITION

Date:

Requisition No.__________

1. Amount due and to be disbursed: $_______________________

2. The undersigned hereby represents that: (a) each obligation to which the amount specified above relates has been properly incurred in connection with the Project being financed with the proceeds of the Loan specified above (the "Loan"), is a reimbursable Project Cost properly chargeable against the Construction Fund and has not been the basis of any previous disbursement made to or on behalf of the undersigned; (b) the expenditure of the amount specified above, when added to all disbursements under previous requisitions under the Loans, other than disbursements to pay the costs of issuing the Bonds, will result in not less than 95% of all such disbursements having been used to pay or reimburse the undersigned for amounts which are Qualified Project Costs; (c) the expenditure of the amount specified above, when added to all disbursements to the undersigned under all previous requisitions under the Loans, will result in less than 25% of all such disbursements to the undersigned having been used to acquire land or any interest therein; and (d) this disbursement is for the items set forth on Exhibit 1 hereto.

3. The amount to be disbursed hereunder shall be deposited into
____.

Capitalized terms as used herein shall have the meanings given to them in the Loan Agreement dated as of September 1, 1985, between the Riverside County Industrial Development Authority and Calavo Growers of California ("Company").

CALAVO GROWERS OF CALIFORNIA

By:

Its:

Disbursement Consented To:

SECURITY PACIFIC NATIONAL BANK

By:

Authorized Representative

EXHIBIT C

COMPLETION CERTIFICATE

The undersigned hereby certify that all portions of the Project were substantially completed and available either for occupancy or use as of _________________.

CALAVO GROWERS OF CALIFORNIA

By:

Company Representative

[ARCHITECT OR ENGINEER]

By:

[GENERAL CONTRACTOR]

By:

The undersigned hereby certifies that:

(1) the aggregate amount disbursed on the Company loan to date is $_______________.

(2) all amounts disbursed on the Company Loan have been applied to pay or reimburse the undersigned for the payment on Project Costs and none of the amounts disbursed on the Company Loan have been applied to pay or reimburse any party for the payment of costs or expenses other than Project Costs; and

(3) at least 95 percent of the amounts disbursed on the Company Loan, less the amounts applied pursuant to the Indenture to pay for the costs of issuing the Bonds, have been applied to pay or reimburse the Company for the payment of Qualified Project Costs.

CALAVO GROWERS OF CALIFORNIA

By:

Company Representative

The undersigned hereby certifies that to date $_________________ has been disbursed on the Company Loan.

---------------, as Trustee

By:

Authorized Officer

EXHIBIT D

SPECIAL ARBITRAGE INSTRUCTIONS

SPECIAL ARBITRAGE INSTRUCTIONS

These instructions are delivered to Calavo Growers of California (the "Company") and the Riverside County Industrial Development Authority (the "Authority") in connection with the $4,200,000 aggregate face amount Riverside County, Industrial Development Authority Variable Rate Demand Industrial Development Revenue Bonds (Calavo Growers of California Project). The instructions are designed to provide guidelines for compliance with the provisions of Section 103(c)(6) of the Code, Sections 307 and 504 of the indenture of trust between the Authority and Irving Trust Company (the "Indenture") and Section 3.6 of the loan agreement between the Company and the Authority dated as of August 1, 1985 (the "Loan Agreement"). All capitalized terms used in these instructions and not defined herein shall have the meanings ascribed to them by the Indenture or the Loan Agreement. The term "Regulations" shall mean all regulations of the United States Department of the Treasury promulgated or proposed under Section 103(c) of the Code which are applicable to the Bonds.

1. Significant Terms.

Gross Proceeds. Gross Proceeds include (1) original proceeds (as defined in Section 1.103-13(b)(2)(i) of the

Regulations); (ii) investment proceeds (as defined in Section 1.103(b)(2)(ii) of the Regulations); (iii) transferred proceeds (as defined in Section 1.103-14(e)(2)(ii) of the Regulations); (iv) all amounts held in any sinking fund established under the Indenture (including any "afterborn" sinking fund); (v) any securities or other obligations pledged as security for debt service on the Bonds; (vi) amounts paid to the Authority as fees until expended by the Authority; (vii) other amounts to be used to pay debt service on the Bonds; and (viii) any amounts received as a result of investing any of the foregoing.

Nonpurpose Obligations. A Nonpurpose Obligation is any security or obligation in which Gross Proceeds are invested, other than (i) a tax-exempt state or local governmental obligation described in Section 103(a) of the Code and (ii) the Loan Agreement. Thus, for example, all investments in the Construction Fund, the Revenue Fund, the Earnings Fund and the Bond Fund (unless such investments are tax-exempt under Section 103(a)) will be Nonpurpose Obligations. A Nonpurpose Obligation must be valued at fair market value on and as of the date such obligation is acquired with Gross Proceeds or otherwise becomes Gross Proceeds (e.g., by a pledge of such security or obligation to secure the Bonds). Nonpurpose obligations need not be revalued unless required by the Indenture. Securities or obligations not purchased with

Gross Proceeds may not be allocated to Nonpurpose Obligations.

Yield. (a) In accordance with Section 1.103-13(c) of the Regulations, the Yield on the Bonds and the Yield on Nonpurpose Obligations is that yield which, when used in computing the present worth of all payments of principal and interest paid or to be paid on the Bonds or Nonpurpose Obligation during the computation period, produces an amount equal to the Purchase Price (as defined below).

(b) Bond Yield. For purposes of determining the Yield on the Bonds, the Purchase Price is the initial offering price of the Bonds to the public or, if privately placed, the price paid by the first buyer of the Bonds or the acquisition cost of the first buyer.

Prior to the Conversion Date, (i) for purposes of the Computation of Investment Excess, the Yield on the Bonds shall be based on actual payments of principal and interest for the applicable computation period (taking into account any discount or premium on a constant yield to maturity basis); (ii) for purposes of the Investment Limitation, the expected Yield on the Bonds shall be computed on the date of issue, assuming an interest rate of __ percent per annum, and shall be recomputed on the first day of each Bond Year

thereafter, assuming an interest rate equal to the weighted average rate of interest paid on the Bonds for the preceding Bond Year. On the Conversion Date, the expected Yield shall be computed for all purposes thereafter, taking into account the actual yield to date and assuming no optional calls or redemptions; however, in the event that there are any calls or optional redemptions after the Conversion Date, the yield must be recomputed on the last Interest Payment Date of any Bond Year in which such calls or redemptions occurs.

(c) Nonpurpose Obligation Yield. For purposes of computing the Yield on Nonpurpose Obligations, the Purchase Price is the fair market value of the Nonpurpose Obligation determined as of the date on which such obligation becomes a Nonpurpose Obligation. The expected Yield on a variable rate Nonpurpose Obligation shall be computed on the date such obligation is acquired or becomes a Nonpurpose Obligation and, for purposes of the Investment Limitation, on the first day of each Bond Year thereafter, assuming an interest rate equal to the weighted average rate of interest paid on such Nonpurpose Obligation for the preceding year; provided, however, if acquired on its date of issue, the expected Yield on a Nonpurpose Obligation shall be determined for the first Bond Year as if such obligation bore interest at the initial

rate of interest applicable to such Nonpurpose Obligation on the date of issue.

2. Investment Limitation.

Gross Proceeds Subject to the Limitation. Excluding Gross Proceeds invested during an applicable temporary period, the amount of Gross Proceeds invested in Nonpurpose Obligations with a Yield in excess of the Yield on the Bonds may not exceed 150% of Annual Debt Service (the "Investment Limitation"). Because of the temporary period exception, the Investment Limitation will apply only to Nonpurpose Obligations held in (i) a pledge fund, (ii) a reasonably required reserve fund or (iii) an afterborn sinking fund. Although none of such funds are anticipated at this time, a creation of any of such funds in the future will necessitate compliance with the Investment Limitation.

Annual Debt Service. For purposes of the Investment Limitation, Annual Debt Service for each Bond Year is the sum of (1) all interest due on outstanding Bonds (including Bonds that have been defeased) during such Bond Year, (2) the principal amount of Bonds (including Bonds that have been defeased) falling due by their terms during such Bond Year, and (3) the aggregate amount of mandatory sinking fund payments required during such Bond Year. Annual Debt Service

is computed on the first day of each Bond Year assuming, for the first Bond Year, an interest rate of __ percent per annum and, for each Bond Year thereafter commencing prior to the Conversion Date, an interest rate equal to the weighted average rate of interest paid on the Bonds during the preceding Bond Year. On and after the Conversion Date, Annual Debt Service for the current Bond Year shall be recomputed to reflect the Fixed Interest Rate.

The initial investment of Gross Proceeds subject to the Investment Limitation must be made in compliance with the Investment Limitation. Thereafter, on or prior to the first day of each Bond Year and on the Conversion Date, the Company must determine the amount, if any, by which the fair market value of Nonpurpose Obligations subject to the Investment Limitation and invested at a Yield in excess of the Yield on the Bonds exceeds (or will exceed) 150% of Annual Debt Service as of such date. In the event of an excess, the Company shall instruct the Trustee in writing (a) to sell or otherwise dispose of Nonpurpose Obligations with a fair market value at least equal to such excess no later than 30 days after the first day of the Bond Year or the Conversion Date, whichever is applicable and (b) to reinvest the proceeds of such sale or disposition in a manner that does not cause the Investment Limitation to be exceeded; provided, however, the 30-day grace period shall not apply in any Bond

Year commencing after the Conversion Date, and all dispositions of excess Nonpurpose Obligations after the Conversion Date must be made no later than the first day of the applicable Bond Year.

In the event of an unscheduled (i.e., optional) redemption of Bonds, Annual Debt Service must be recomputed as of the date of such redemption. If, upon such recomputation, the Investment Limitation is exceeded, the Company must instruct the Trustee to sell or otherwise dispose of Nonpurpose Obligations with a fair market value at least equal to the amount of such excess, no later than 30 days after the date of such unscheduled redemption, and to reinvest the proceeds of such sale or disposition manner that will not cause the Investment Limitation to be exceeded.

No Disposition in Case of Loss. Notwithstanding the foregoing, Nonpurpose Obligations subject to the Investment Limitation need not be sold or disposed of if such sale or disposition would result in a loss (an "Investment Loss"). An Investment Loss would occur if the sale or disposition would result in the realization of a loss for Federal income tax purposes in excess of the Rebate Amount that would be due to the United States under Section 504 of the Indenture, if such Rebate Amount (determined as if such sale or disposition had not occurred) were due at the time of the proposed sale

or disposition. For purposes of the Investment Loss determination, all Nonpurpose Obligations that have identical terms and provisions and that became Nonpurpose Obligations at the same time must be treated as a single Nonpurpose Obligation.

Assuming that the Investment Limitation continues to be exceeded, Nonpurpose Obligations that have been retained to avoid an Investment Loss must be sold or disposed of no later than 30 days after the last Interest Payment Date of any Bond Year if, as of such date, such Nonpurpose Obligations can be sold or disposed of without incurring an Investment Loss.

3. Rebate Requirement.

Computation of Investment Excess. On the last Interest Payment Date of each Bond Year, the Company must compute the Investment Excess for the preceding twelve month period. For purposes of that computation, the aggregate amount of interest, profits and other income derived from investments in Nonpurpose Obligations which are held in the Revenue Fund and the Bond Fund need not be taken into account for any Bond Year in which such income is less than $100,000; for any Bond Year in which the income on such funds is $100,000 or more, the entire amount of such income must be

taken into account in computing Investment Excess for such Bond Year.

The computation of Investment Excess must take into account all income realized under Federal income tax accounting principles with respect to a Nonpurpose Obligation, including gain or loss realized on a sale, exchange or other disposition of any Nonpurpose Obligation (whether or not the person earning such income is subject to Federal income tax). All transaction costs incurred in acquiring, carrying, selling or redeeming Nonpurpose Obligations are disregarded for this purpose and will not, therefore, reduce such gain or increase such loss.

Transfers to Excess Earnings Account. If, immediately following payment of all interest and principal due on the Bonds on the last Interest Payment Date of any Bond Year, any monies remain on deposit in the General Earnings Account of the Earnings Fund, the Company shall instruct the Trustee to transfer such monies, up to the annual amount of Investment Excess computed on such date, to the Excess Earnings Account of the Earnings Fund.

Computation of Rebate Amount. The Rebate Amount shall be computed on the last Interest Payment Date of (i) the fifth Bond Year and (ii) every fifth Bond Year

thereafter, and (ii) on the date the last Bond is paid or redeemed. Each such computation shall be for the period from the date of issue through the date of computation. The Rebate Amount includes the Investment Excess for the computation period plus all interest, profits or other income earned on amounts computed annually as Investment Excess and invested in the Excess Earnings Account (whether or not invested in Nonpurpose Obligations). The final Rebate Amount must (i) take into account any unrealized gain or loss on Nonpurpose Obligations as of the date of retirement of the last Bond, and (ii) include all earnings, if any, on investments in the Excess Earnings Account from the date of retirement through the date of the final payment (excluding any gain on the disposition of Nonpurpose Obligations to the extent such gain was taken into account as unrealized gain in the final computation of Investment Excess).

4. Prohibited Payments.

No transaction involving Gross Proceeds may be entered into if it will result in (i) a Yield on Nonpurpose Obligations less than the Yield that would have resulted from an arm's length transaction or (ii) a smaller profit or larger loss on the disposition of a Nonpurpose Obligation than would have resulted from an arm's length transaction.

To implement this prohibition, the following rules apply to the investment of Gross Proceeds:

Certificates of Deposit. (a) The purchase or sale of any certificate of deposit issued by a commercial bank must be at the bona fide bid price quoted by a dealer who maintains an active secondary market in such certificates;

(b) Where there is no active secondary market for a certificate of deposit, it may be purchased or sold only (i) at a Yield equal to or greater than the current yield on comparable obligations offered by the United States Treasury, or (ii) after the Trustee or the Company has obtained a certificate executed by a dealer who maintains an active secondary market in comparable certificates, certifying that, based upon actual trades and the stability and reputation of the issuer of the certificate, the certificate has Yield at least as high as the yield on comparable obligations traded on an active secondary market.

Investment Contracts. Nonpurpose obligations may be purchased or sold pursuant to an investment contract only if (i) the Trustee or the Company has obtained at least three bids for such contract from persons other than the Underwriter or other persons interested in the Bonds; (ii) the Trustee or the Company has obtained a certificate of a duly

authorized officer of the successful bidder, certifying that, based on such officer's reasonable expectations as of the contract date, Nonpurpose Obligations will not be (a) purchased at a price in excess of their fair market value, or (b) sold at a price less than their fair market value; and (iii) the Yield on the investment contract is (a) at least equal to the highest Yield offered by a disinterested bidder, and (b) at least equal to the Yield offered on similar obligations under similar investment contracts.

MF85-530/VRPBC EXHIBIT 10.9
FILE NO. 772,349-157

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REIMBURSEMENT AGREEMENT

dated, for reference purposes, as of SEPTEMBER 1, 1985
between

SECURITY PACIFIC NATIONAL BANK,
a National Banking Association
(the "BANK")
and

CALAVO GROWERS OF CALIFORNIA,
a California Corporation
(the "COMPANY")

==

This Agreement is executed in connection with the following Bonds:

Aggregate Principal Amount:	$4,200,000
Issuer:	RIVERSIDE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
Name of Bonds:	VARIABLE RATE DEMAND INDUSTRIAL DEVELOPMENT REVENUE BONDS (CALAVO GROWERS OF CALIFORNIA PROJECT)
TRUSTEE:	FIRST INTERSTATE BANK OF CALIFORNIA, A CALIFORNIA BANKING CORPORATION

- --

The Bonds are to be backed by an irrevocable direct draw letter of credit to be issued by the Bank for the account of the Company pursuant to this Agreement:

Letter of Credit No.: 100-0092 Dated: September 5, 1985

Initial Stated Amount of Letter of Credit: $4,267,661

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REIMBURSEMENT AGREEMENT

THIS REIMBURSEMENT AGREEMENT, dated as of September 1, 1985, is by and between CALAVO GROWERS OF CALIFORNIA, A CALIFORNIA CORPORATION (the "COMPANY") and SECURITY PACIFIC NATIONAL BANK, A NATIONAL BANKING ASSOCIATION (the "BANK").

WHEREAS, pursuant to the Indenture of Trust of even date herewith (the "INDENTURE"), by and between the Issuer and the Trustee, and the Loan Agreement of even date herewith between the Issuer and the Company, the Issuer has agreed to issue the Bonds (as hereinafter defined), and to loan to the Company the proceeds of the sale of the Bonds to finance the development of a packing, storage and distribution facility; and

WHEREAS, as a condition precedent to the issuance of the Bonds and the making of such loan to the Company, the Issuer has required that the Company obtain and deliver to the Trustee, for the benefit of the holders of the Bonds, an irrevocable letter of credit to secure payment of the Bonds; and

WHEREAS, the Company has requested that the Bank issue its irrevocable direct draw letter of credit to the Trustee substantially in the form attached hereto as Exhibit A, and the Bank has agreed to issue such letter of credit upon and subject to the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the foregoing recitals and the covenants contained herein, and in order to induce the Bank to issue its letter of credit, the parties agree as follows:

SECTION 1. DEFINITIONS AND INFORMATIONAL PROVISIONS

1.1 Certain Defined Terms. As used in this Agreement, the following terms shall have the indicated meanings:

"Capital Budget" means all sources and use of capital funds, as determined in accordance with GAAP, as approved by the Company's Board of Directors.

"Capital Expenditures" means all uses of capital funds, as determined in accordance with GAAP.

"Capital Retains" means assessments or deductions from proceeds payable to members of the Company, for purposes of having members furnish capital funds, as determined in accordance with GAAP, to the Company, as approved by the Company's Board of Directors.

"Change Order Aggregate Approval Amount" means $ 100,000.

"Change Order Individual Approval Amount" means $25,000.

"Company's Initial Equity" means the appraised value of the Property.

"Contractor" means the Company and H.M.H. Construction, the general contractors for the Project, and any successors to either (subject to the Bank's approval of any such successors).

"County" means Riverside, California, the county in which the Property is located.

"Disbursement Account" means Account No. 001-036695 at the Bank, established pursuant to Paragraph A.2 of Appendix I (Construction Covenants and Disbursement Procedures).

"Improvements" means the improvements to be constructed on the Property, a portion of the costs of which shall be paid for with the proceeds of the Company Loan, and which shall consist of a packing, storage and distribution facility, together with all parking facilities and other on-site and off-site improvements relating thereto, including curbs, landscaping and underground utilities, all in accordance with the Project Plans.

"Initial Stated Amount" means the amount available to be drawn under the Letter of Credit as of the Date of Issuance, as set forth therein and on the cover page hereof. Such amount shall be the sum of the Aggregate Principal Amount of the Bonds plus 49 days' interest computed at the Maximum Bond Interest Rate.

"Interest Expense" means the Company's operating expense on all of its Indebtedness.

"Letter of Credit Administration Fee" means an annual administration fee with respect to the Letter of Credit equal to 1% of the Stated Amount of the Letter of Credit as of the date such administration fee is due, payable in accordance with Subsection 2.4.

"Letter of Credit Negotiation Fee" means the sum of $100.00, which sum is to be paid to the Bank in accordance with Subsection 2.3 upon the date of each drawing upon the Letter of Credit.

"Letter of Credit Origination Fee" means an origination fee with respect to the Letter of Credit equal to 3/8ths of 1% of the Initial Stated Amount, payable in accordance with Subsection 2.4.

"Maximum Bond Interest Rate" means the "Maximum Interest Rate" as that term is defined in the Indenture, which rate shall be 12% per annum, computed on the basis of actual days elapsed over a 365-day or 366-day year, as the case may be.

"Net Worth" means the excess of all of the Company's assets over all of its liabilities, as determined in accordance with GAAP consistently applied.

"Operating Budget" means annual period expenses of the Company, as approved by the Company's Board of Directors.

"Operating Retains" means assessments or deductions from proceeds payable to member's of the Company, to pay for expenses of the Company for handling members' products, as approved by the Company's Board of Directors.

"Permitted Contingent Liabilities" means indebtedness or other obligations which the Company guarantees or is directly or indirectly responsible for (a) by endorsement, in the ordinary course of collection, of negotiable instruments; or (b) in the ordinary course of business, up to a maximum of $100,000.

"Permitted Indebtedness" means (a) unsecured loans in an aggregate amount not exceeding $6,000,000; (b) secured loans in any amount, subject to Subsection 7.3; (c) the Company Loan; and (d) Indebtedness to the Bank.

"Placement Agent" shall mean Security Pacific Capital Markets Group (Security Pacific National Bank) and such other parties, if any, as are named as "Placement Agent" in the Placement Agent Agreement.

"Placement Agent Agreement" means the Placement Agent Agreement dated as of September 1, 1985 among the Issuer, the Company, and the Placement Agent.

"Project Architect" means Kulwiec Group.

"Reimbursement Account" means Account No. 100-099488 at the Bank, a custodial account established for the purpose of making the deposits required by Subsection 2.3(b).

"Remarketing Agent" means Security Pacific Capital Markets Group (Security Pacific National Bank), or its successor, acting pursuant to Section 1304 of the Indenture and the Remarketing Agreement.

"Remarketing Period Interest Rate" means a fluctuating interest rate equal at all times to one percent (1%) per annum in excess of the Prime Rate. (See Subsection 2.3(a).)

"Required Commencement Date" means September 1, 1985.

"Required Completion Date" means June 30, 1986, as such date may be extended in accordance with Paragraph B.1 of Appendix I (Construction Covenants and Disbursement Procedures).

"Title Company" means Ticor Title Insurance Company of California, a California corporation.

"Working Capital" means the excess of the Company's current assets over its current liabilities, as determined in accordance with GAAP consistently applied.

1.2 Informational Provisions.

(a) Address of the Company's Chief Executive Office and Principal Place of Business:

Calavo Growers of California
4833 Everett Avenue
Vernon, California 90058

(b) Company's U.S. employer identification number:

95-0591900

(c) Address for notices to the Company:

Calavo Growers of California
P. O. Box 3486 Terminal Annex
Los Angeles, California 90051
Attention: Corporate Secretary

(d) Character of the Company's business:

Packing, processing, and marketing California avocados and other agricultural products

(e) Address for notices to the Bank:

Security Pacific National Bank
333 South Hope Street
Los Angles, California 90071
Attention: Walter L. Johnson (H32-4)

(f) Location of Trustee's principal corporate office:

First Interstate Bank of California
Corporate Trust Department
707 Wilshire Boulevard
Los Angeles, California 90017

(g) Bank Payment Address:

Security Pacific National Bank
333 South Hope Street
Los Angeles, California 90071
Attention: Corporate Note Department

1.3 Additional Defined Terms. As used in this Agreement, the following terms shall have the indicated meanings:

"Adjustable Interest Rate" means the variable interest rate applicable to the Bonds until the Conversion Date, as determined from time to time in accordance with Section 203 of the Indenture.

"Aggregate Principal Amount" means the aggregate principal amount of the Bonds to be issued by the Issuer, as set forth on the cover page hereof.

"Agreed Rate" means a fluctuating interest rate equal at all times to 3.0% per annum in excess of the Prime Rate.

"Agreement" or "Reimbursement Agreement" means this Reimbursement Agreement, including the cover page hereof and all of the exhibits, appendices and schedules attached hereto, all of which are incorporated herein by this reference and made a part hereof.

"Approved Budget" means the budget for the Project approved by the Bank, as changed from time to time in accordance with this Agreement. As of the date hereof, the Approved Budget is as set forth in Exhibit I.

"Authorized Representative of the Company" means the person or persons designated as such, with the Bank's consent, by written certificate furnished to the Bank, substantially in the form of Exhibit C or otherwise in form acceptable to the Bank, containing the specimen signatures of such person or persons, and signed on behalf of the Company by an authorized officer (if the Company is a corporation) or by a General Partner of the Company (if the Company is a partnership).

"Bank" - See Recitals.

"Bank Security Documents" means, collectively, the Second Deed of Trust, the Second Security Agreement, the Second Financing Statement, and the Second Fixture Filing.

"Bank Title Policy" - See definition of "Title Policies."

"Bond Counsel" means an attorney or firm of attorneys acceptable to the Bank and of nationally recognized standing in matters pertaining to the validity and enforceability of, and the tax-exempt nature of interest on, obligations issued by states and their political subdivisions.

"Bond Interest Payment Date" means each "Interest Payment Date" with respect to the Bonds, as that term is defined in the Indenture.

"Bondholders" means the owners of record of the Bonds as shown in the Bond registration books maintained by the Trustee.

"Bonds" means those certain bonds described on the cover page hereof, to be issued by the Issuer in the Aggregate Principal Amount, and any bonds duly issued pursuant to the Indenture in exchange therefor or replacement thereof, including any temporary bonds issued pursuant to the Indenture.

"Bond Trustee Title Policy" -- See definition of "Title Policies."

"Business Day" means any day other than a Saturday, Sunday, legal holiday or day on which banking institutions in the city in which the Bank's principal office is located or in the city in which the principal corporate trust office of the Letter of Credit Beneficiary is located, are authorized or obligated by law or executive order to close.

"Capital Lease" means any lease of any property (whether real, personal or mixed) required by GAAP to be accounted for as a capital lease on the balance sheet of the lessee.

"Certification of Non-Foreign Status" means an affidavit, signed under penalty of perjury by an individual General Partner of the Company, by a responsible officer of a corporate General Partner of the Company (or of the Company, if the Company is a corporation), or by the trustee, executor, or equivalent fiduciary of any General Partner of the Company that is a trust or estate, stating (a) that the Company is not a "foreign corporation," "foreign partnership," "foreign trust," or "foreign estate," as those terms are defined in the Internal Revenue Code and the regulations promulgated thereunder, (b) the Company's U.S. employer identification number, and (c) the address of the Company's principal place of business. Such affidavit shall be consistent with the requirements of the regulations promulgated under Section 1445 of the Internal Revenue Code, and shall otherwise be in form and substance acceptable to the Bank.

"Change Order" means any change in the Project Plans, the Construction Schedule, the Approved Budget, the General Contract, or any related subcontracts.

"Company" -- See Recitals.

"Company Bonds" means all Bonds at any time purchased with the proceeds of a draw on the Letter of Credit upon tender of each such Bond to the Trustee by the Bondholder pursuant to Section 1301 or Section 1302 of the Indenture and registered in the name of the Company.

"Company Documents" means, collectively, this Agreement, the Loan Agreement, the Issuer Security Documents, the Bank Security Document -- the Placement Agent Agreement, the Remarketing Agreement, the Letter of Credit Application, and any other agreements, instruments, certificates, statements, or other documents executed by the Company in connection

therewith, including all other documents described in Section 3 that are executed by the Company.

"Company Loan" means the loan of Bond proceeds made by the Issuer to the Company pursuant to the Loan Agreement.

"Construction Fund" means the special trust fund of that name established and maintained by the Trustee pursuant to Article III of the Indenture.

"Construction Schedule" means the construction schedule for the Project showing the estimated periods of commencement and completion for all aspects of the Project, on a trade-by-trade basis, as approved by the Bank and as changed from time to time in accordance with this Agreement.

"Contractual Obligation" of a person means any debt or equity security issued by that person, and any indenture, mortgage, deed of trust, contract, undertaking, instrument or agreement (written or oral) to which such person is a party or by which it is bound, or to which it or any of its assets is subject.

"Conversion" means the establishment of a fixed interest rate for the Bonds pursuant to Section 204 of the Indenture.

"Conversion Date" means the Bond Interest Payment Date after which the Bonds begin to bear interest at the Fixed Interest Rate pursuant to Section 204 of the Indenture.

"Date of Issuance" means the date as of which the Letter of Credit is issued and delivered to the Letter of Credit Beneficiary.

"Disbursement" means any disbursement by the Trustee or the Bank, pursuant to the Indenture, the Loan Agreement or this Agreement, for the payment or reimbursement of Project Costs, as described in Appendix I (Construction Covenants and Disbursement Procedures).

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Event of Default" See Section 8.

"Expiration Date" means the date the Bank's obligations under the Letter of Credit expire as set forth therein.

"Final Project Completion Date" has the meaning given to such term in Paragraph B.1 of Appendix I (Construction Covenants and Disbursement Procedures).

"First Deed of Trust" means the First Deed of Trust and Assignment of Rents (Construction Trust Deed) with respect to the Project, of even date herewith, executed by the Company, as trustor, to the Title Company as trustee, for the benefit of the Issuer, as beneficiary.

"First Financing Statement" means a UCC-1 financing statement executed by the Company, as debtor pursuant to the First Security Agreement, and naming the Issuer as the secured party and the Trustee as the assignee of the secured party.

"First Fixture Filing" means a fixture filing executed by the Company, as debtor pursuant to the First Security Agreement, and naming the Issuer as the secured party and the Trustee as the assignee of the secured party.

"First Security Agreement" means the First Security Agreement with respect to the Project, of even date herewith, executed by the Company, as debtor, in favor of the Issuer, as secured party.

"Fixed Interest Rate" means the fixed interest rate applicable to the Bonds after the Conversion Date, as established pursuant to Section 204 of the Indenture.

"Funding Requisition" shall mean a requisition form, in the form attached to the Loan Agreement as Exhibit B, requesting disbursement of monies by the Trustee from the Construction Fund.

"General Contract" shall mean a guaranteed maximum cost general construction contract between the Company and H.M.H. Construction, as the Contractor.

"General Partner" of a partnership means each person that is now, or at any time hereafter becomes, a general partner of such partnership, as well as each General Partner of each such general partner (if such general partner is itself a partnership). For example, if (a) A is a general partner of B, (b) B is a general partner of C, and (c) C is a general partner of D, then A, B, and C are each "General Partners" of D for the purposes of this Agreement.

"GAAP" means generally accepted accounting principles.

"Indebtedness" of a person means (a) all indebtedness for borrowed money, (b) that portion of obligations with respect to capital leases which is capitalized under GAAP, (c) notes payable and drafts accepted representing extensions of credit, whether or not representing obligations for borrowed money, (d) any obligation for the purchase of property or services that is (i) deferred for more than six months, or (ii) evidenced by a note or similar instrument, and (e) all recourse and all non-recourse indebtedness

secured by any Lien on any property or asset of such person (whether or not assumed by such person).

"Indenture" means the Indenture of Trust of even date herewith between the Issuer and the Trustee pursuant to which the Bonds are to be issued, and any indentures supplemental thereto.

"Intercreditor Agreement" means the Intercreditor Agreement of even date herewith, among the Bank, the Trustee and the Issuer.

"Internal Revenue Code" means the Internal Revenue Code of 1954, as amended.

"Issuer" means the entity identified as the Issuer on the cover page hereof, acting as issuer of the Bonds.

"Issuer Security Documents" means the First Deed of Trust, the First Security Agreement, the First Financing Statement, and the First Fixture Filing.

"L/C Documents" means this Agreement, the Bank Security Documents and any and all other agreements, instruments, certificates, or other documents now or hereafter given by the Company to the Bank pursuant thereto or in connection therewith, or given to evidence, guaranty, or secure any of the Company's obligations under the foregoing documents.

"Legal Requirements" applicable to any property or person means (a) all decisions, statutes, ordinances, rulings, directions, rules, regulations, orders, writs, decrees, injunctions, permits, certificates, or other requirements of any court or other governmental or public entity in any way applicable to or affecting such property or such person or its business, operations, or assets, (b) all such person's bylaws and articles of incorporation or partnership, limited partnership, joint venture, trust or other form of business association agreement, and (c) all other Contractual Obligations of any nature applicable to or affecting such property or such person. As to the Property or the Project, such term includes, without limitation, all legal requirements relating to acquisition, development, ownership, use, occupancy, possession, operation, maintenance, alteration and repair of the Property or the Project, as well as all related permits, easements, covenants, restrictions and similar items.

"Letter of Credit" means the letter of credit to be issued by the Bank to the Trustee as Letter of Credit Beneficiary on the Date of Issuance substantially in the form of Exhibit A, or such letter of credit as may at any time hereafter be issued by the Bank in substitution or replacement thereof.

"Letter of Credit Application" means the Letter of Credit Application and Agreement attached hereto as Exhibit B.

"Letter of Credit Beneficiary" means the Trustee or such other person as shall be entitled to draw upon the Letter of Credit pursuant to the terms thereof.

"Lien" means any lien, mortgage, pledge, security interest, charge or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof, and any agreement to give any lien or security interest).

"Loan Agreement" means the Loan Agreement of even date herewith among the Issuer and the Company, pursuant to which the Company Loan is made.

"Memorandum of Assignment" means the Memorandum of Assignment of First Deed of Trust and Assignment of Rents of even date herewith, executed by the Issuer, as assignor, to the Trustee, as assignee.

"Owner's Title Policy" - See definition of "Title Policies."

"Participant" means any financial institution or other person now or hereafter directly or indirectly participating in the rights and obligations of the Bank under this Agreement and the Letter of Credit.

"Paying Agent" means the Trustee and any other bank or trust company designated as a Paying Agent by or in accordance with the Indenture.

"Payment Obligations" means all obligations of the Company to the Bank under Section 2.

"Payment Request Documents" - See Subparagraph A.4(c) of Appendix I (Construction Covenants and Disbursement Procedures).

"Potential Default" means any condition or event which, with the lapse of time or the giving of notice, or both, would constitute an Event of Default.

"Prime Rate" means the floating commercial loan rate of interest announced from time to time by the Bank at its principal office as its "prime rate", with changes in such Prime Rate effective as of 12:01 a.m. on the effective date announced by the Bank for each change in its "prime rate."

"Project" means the Property and the Improvements.

"Project Agreements, Permits and Licenses" means the General Contract; all subcontracts; the Project Architect's Agreement and any and all contracts with any soils, electrical, mechanical and structural engineers and any other persons providing architectural, design, or engineering

services for the Project; any property management agreements relating to the Project; and all other rights, licenses, permits, franchises, authorizations, approvals and agreements relating to acquisition, construction, use, occupancy or operation of the Project, including all grading, demolition, building and other governmental permits and use entitlements.

"Project Architect's Agreement" means the agreement between the Company and the Project Architect.

"Project Costs" means the costs of acquiring, constructing, improving and equipping the Project.

"Project Plans" means the final plans and specifications for the Project, with evidence of appropriate governmental approvals shown thereon, as approved by the Bank in its sole discretion and as changed from time to time in accordance with this Agreement. As of the date of execution hereof, the Project Plans are those plans and specifications described in Exhibit K.

"Property" means that certain real property on which the Improvements are to be constructed, as more particularly described in Exhibit D.

"Related Documents" means, collectively, the Company Documents, the Bonds, the Indenture, the Intercreditor Agreement, the Letter of Credit, and any other agreement, instrument or other document relating to or executed in connection with the transactions contemplated by this Agreement, including all of the documents described in Section 3.

"Remarketing Agreement" means the Remarketing Agent Agreement of even date herewith, among the Remarketing Agent, the Company and the Issuer.

"Second Deed of Trust" means the Second Deed of Trust and Assignment of Rents (Construction Trust Deed) with respect to the Project, of even date herewith, executed by the Company, as trustor, to the Title Company, as trustee, for the benefit of the Bank, as beneficiary.

"Second Financing Statement" shall mean the UCC-1 financing statement executed by the Company, as debtor pursuant to the Second Security Agreement, and naming the Bank as the secured party.

"Second Fixture Filing" shall mean the fixture filing executed by the Company, as debtor pursuant to the Second Security Agreement, and naming the Bank as the secured party.

"Second Security Agreement" means the Second Security Agreement with respect to the Project, of even date herewith, executed by the Company, as debtor, in favor of the Bank, as secured party.

"Stated Amount" means the maximum amount available from time to time to be drawn under the Letter of Credit.

"Subsidiary" of a person means any corporation, association or other business entity of which more than 50% of the total voting power of shares of stock entitled to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by that person, by one or more of the other Subsidiaries of that person, or by any combination thereof.

"Survey" means a current survey of the Property prepared by a surveyor registered or licensed in the State of California, containing a legal description of the Property and a certification from the surveyor to the Bank and the Title Company that it was prepared in compliance with the standards of the American Land Title Association, and that the survey shows: (a) the location of the perimeter of the Property by courses and distances; (b) all easements (whether benefitting or burdening the Property), rights-of-way, and existing utility lines affecting the Property, whether recorded or disclosed by physical inspection; (c) the acreage of the Property; (d) any established building lines or other restrictions of record or established by any applicable zoning or building code or ordinance; (e) the lines and widths of the public streets abutting the Property; (f) all encroachments onto the Property and all encroachments by any buildings, structures or improvements located on the Property onto any easements and onto property adjacent to the Property, and the extent in feet and inches of any such encroachments; (g) all buildings, structures, improvements (whether completed or partially-constructed) and other physical matters on the Property which may affect the Property or title thereto, and the relationship of such buildings, structures, improvements and other physical matters by distances to the perimeter of the Property, established building lines and street lines; (h) that there exists adequate means of ingress and egress to and from the Property and that the Property does not serve any adjoining property for ingress, egress or any other purpose; and (i) if the Property is described as being on a filed map, a legend relating the survey to such map.

"Title Policies" means, collectively, the Bank Title Policy, the Bond Trustee Title Policy, and the Owner's Title Policy, all of which are defined below, and none of which shall contain any survey exceptions or exceptions for rights of parties in possession, easements not of record, or unpaid installments of special assessments, or any other exceptions to coverage, except as expressly provided herein or as otherwise approved by the Bank in writing:

(a) the 'Bank Title Policy': an ALTA Loan Policy - 1970 with ALTA Endorsement Form 1 Coverage (LP 10), issued by the Title Company, naming the Bank as the insured, with liability in the amount of the Initial Stated Amount, insuring the validity and priority of the lien of the Second Deed of Trust, subject only to the

First Deed of Trust and such other exceptions as are approved in writing by the Bank, and including CLTA endorsements 100, 104.7, 111.5, and 116.1, and such other endorsements as the Bank may require.

(b) the "Bond Trustee Title Policy": an ALTA Loan Policy 1970 with ALTA Endorsement Form 1 Coverage (LP 10), issued by the Title Company, naming the Trustee as the insured, with liability in the amount of the aggregate principal amount of the Bonds, insuring the validity and priority of the lien of the First Deed of Trust, as assigned by the Issuer to the Trustee, subject only to such other exceptions as are approved in writing by the Bank, and including CLTA endorsements 100, 104.7, 111.5, 112:1, and 116.1, and such other endorsements as the Bank may require.

(c) the "Owner's Title Policy": an ALTA Owner's Policy Form B - 1970, issued by the Title Company, naming the Company as the insured, with liability in the amount of the Initial Stated Amount, insuring that title to the Property is vested in the Company in fee simple absolute, subject only to the First Deed of Trust, the Second Deed of Trust, and such other exceptions as are approved in writing by the Bank, and including such endorsements as the Bank may require.

"Treasury Regulation" means any of the regulations promulgated from time to time by the United States Department of the Treasury.

"Trustee" means the party identified as the Trustee on the cover page hereof, acting as trustee for the Issuer and the Bondholders under the Indenture, or any successor to such party as Trustee under the Indenture.

1.4 Accounting Terms. As used herein, all accounting terms not otherwise defined shall have the meanings assigned to them under GAAP.

1.5 Other Definitional Provisions. References to "Sections," "Subsections," "Paragraphs," "Subparagraphs," "Appendices," "Recitals" and "Exhibits" shall be to Sections, Subsections, Paragraphs, Subparagraphs, Appendices, Recitals, and Exhibits of this Agreement unless otherwise specifically provided. Any of the terms defined in this Section 1 may be used in singular or plural form. As used herein, the singular includes the plural, and the masculine gender includes the feminine and neuter genders, and vice versa, unless the context otherwise requires, and the word "person" shall include individuals, governmental agencies, departments and entities, trusts, corporations, partnerships, organizations, associations, and other entities. Except as otherwise provided herein, references to any document or instrument defined in this Section 1 are to such document or instrument as amended or supplemented from time to time with the Bank's consent or as otherwise permitted by this Agreement.

SECTION 2. APPLICATION, REIMBURSEMENT AND OTHER PAYMENTS

2.1 Application for Letter of Credit. The Company hereby applies to the Bank for and authorizes and instructs the Bank to issue the Letter of Credit in the Initial Stated Amount.

2.2 Reinstatement of Letter of Credit. Immediately following any drawing by the Letter of Credit Beneficiary upon the Letter of Credit pursuant to a draft accompanied by a certification in the form of Annex A to the Letter of Credit, the obligation of the Bank under the Letter of Credit shall automatically be reinstated to the extent so provided in the Letter of Credit. Immediately following reimbursement in full of the Bank for the amount of any drawing by the Letter of Credit Beneficiary upon the Letter of Credit pursuant to a draft accompanied by a certification in the form of Annex B to the Letter of Credit, the obligation of the Bank under the Letter of Credit shall be automatically reinstated to the extent so provided in the Letter of Credit. Nothing in this Subsection 2.2 shall limit the Bank's rights under any other provision of this Agreement or the other L/C Documents.

2.3 Reimbursement for Draws Upon Letter of Credit. (a) The Company hereby agrees (i) to reimburse the Bank, on each date that any amount is drawn upon the Letter of Credit (except as otherwise provided in clause (iii) below), for the amount drawn on such date, and to pay to the Bank the Letter of Credit Negotiation Fee set forth in Subsection 1.1 on the date of each such drawing; (ii) to pay to the Bank, on demand, interest at the Agreed Rate on any and all amounts unpaid by the Company when due hereunder, from the date such amounts become due until payment in full; and (iii) to reimburse the Bank, within 90 days, for the amount of any draw upon the Letter of Credit pursuant to a draft accompanied by a certification in the form of Annex B to the Letter of Credit for the purchase price of Bonds tendered for purchase pursuant to Section 1301 OR 1302 OF THE Indenture (a "Purchase Draw"). The unreimbursed amount of any such Purchase Draw shall bear interest at the Remarketing Period Interest Rate from the date of such drawing until the date that reimbursement of the principal amount of such Purchase Draw becomes due and payable hereunder, which interest shall be payable in arrears on the first day of each calendar month and on the date that reimbursement of the principal amount of such Purchase Draw is due and payable. Notwithstanding the foregoing, in the event of any payment by the Bank under the Letter of Credit against presentation of a sight draft or certificate that does not substantially comply with the terms of the Letter of Credit, where such payment constitutes gross negligence or willful misconduct on the part of the Bank, then the Company shall not be liable to the Bank for reimbursement of any portion of such payment that is not applied in accordance with the terms of the Indenture.

(b) In order to facilitate Company's reimbursement of the Bank pursuant to Subsection 2.3(a), (i) on the same date that any amount is drawn upon

the Letter of Credit to make a scheduled interest payment on the Bonds, the Company shall deposit good and readily available funds into the Reimbursement Account in a sum equal to the amount that will be due and payable as reimbursement to the Bank under Subsection 2.3(a)(i) for the amount to be drawn upon the Letter of Credit prior to such Bond Interest Payment Date, together with the Letter of Credit Negotiation Fee payable in connection with such drawing, and (11) on the same date that any amount is drawn upon Letter of Credit in order to pay any principal payment on the Bonds that becomes due, whether at maturity, by acceleration, notice of prepayment, or otherwise, the Company shall deposit good and readily available funds into the Reimbursement Account in a sum equal to the amount that will be due and payable as reimbursement to the Bank under Subsection 2.3(a)(i) for the amount to be drawn under the Letter of Credit prior to such principal payment date, together with the Letter of Credit Negotiation Fee payable in connection with such drawing. For the purpose of calculating such deposits, it shall be assumed that interest on the Bonds will accrue at the Maximum Bond Interest Rate during any period for which the Remarketing Agent has not yet determined the Adjustable Interest Rate pursuant to Section 203 of the Indenture. The Company hereby authorizes and directs the Bank to debit the Reimbursement Account following any payment by the Bank under the Letter of Credit for the amount due and payable to the Bank pursuant to Subsection 2.3(a). On or before the third Business Day following each Bond Interest Payment Date, the Bank shall refund to the Company all amounts in the Reimbursement Account in excess of amounts then owing to the Bank under this Agreement (other than any amounts deposited pursuant to clause (ii) of this Subsection 2.3(b) in connection with any Bond principal payment which has not yet occurred). The amount of any disbursement received by the Bank from the Trustee pursuant to Section 304. 307 or 1307 of the Indenture shall be credited to the Company's obligations under this Section 2.3.

2.4 Fees. The Company shall pay to the Bank:

(a) the Letter of Credit Origination Fee, which shall be payable on the Date of Issuance;

(b) the Letter of Credit Administration Fee, which shall be payable annually in advance on the Date of Issuance and on each anniversary of such date prior to the Expiration Date; and

(c) the Letter of Credit Negotiation Fee, which shall be payable together with each reimbursement for each draw on the Letter of Credit.

2.5 Allocation of Increased Costs. If any past, present or future legislative, administrative or judicial action has the direct or indirect effect of imposing upon the Bank or any Participant any requirement or condition regarding this Agreement or the Letter of Credit that directly or indirectly increases the cost to the Bank or any Participant of issuing, maintaining or honoring draws under the Letter of Credit, or the cost to any Participant of participating in the Letter of Credit, over the cost thereof as of the date of this

Agreement, the Bank shall so notify the Company and the Company shall pay to the Bank on or before the due date or dates specified in the Bank's notice (which due date or dates shall be at least three (3) Business Days after the Company receives such notice) all additional amounts necessary to compensate the Bank or any Participant for such additional costs. Any such costs not so paid by Company when due shall bear interest at the Agreed Rate from the due date specified in the Bank's notice until paid in full. The Bank shall deliver to the Company a certificate showing the amount and manner of calculation of such increased costs, and such certificate shall be conclusive (absent manifest error) as to such amount. Without limiting the generality of the foregoing, if any premium is imposed by the Federal Deposit Insurance Corporation or any reserve requirement is imposed by the Comptroller of the Currency or the Board of Governors of the Federal Reserve System in connection with the Letter of Credit, the cost to the Bank and any Participants of such premium and/or reserve requirement shall be payable by the Company as an additional cost in accordance with this Subsection.

2.6 Bank Expenses. The Company shall pay to the Bank, within three (3) Business Days after demand by the Bank, all costs, charges, fees and expenses (including fees and expenses of in-house and outside counsel for the Bank and of any in-house or outside appraisers) paid or incurred by the Bank in connection with this Agreement or relating to the transactions contemplated hereby, including without limitation any costs, charges, fees and expenses incurred in connection with (a) the preparation and negotiation of this Agreement and any other documents or instruments executed in connection herewith; (b) the closing of the transactions contemplated by this Agreement; or (c) the perfection, protection, exercise or enforcement of any of the Bank's rights under any of the Related Documents.

2.7 Manner and Time of Payment. Except as otherwise expressly provided herein, all payments to the Bank by or on behalf of the Company under this Agreement shall be made in immediately available funds to the Bank at its office at the Bank Payment Address set forth in Subsection 1.2, by 2:00 p.m., Los Angeles time on the date such payment is due. Funds received after such time shall be deemed to have been paid and received on the next succeeding Business Day.

2.8 Application of Funds. All payments received by the Bank from or on behalf of Company hereunder or pursuant to any of the other Related Documents shall be applied by the Bank to the payment of amounts then owing by the Company to the Bank, in such order and manner as the Bank chooses in its sole discretion. Any balance remaining after payment in full of all such amounts shall be disbursed by the Bank to the Company or such other person or persons as shall be legally entitled thereto.

2.9 Computation of Interest. All interest payable hereunder shall be computed on the basis of a 360-day year and the actual number of days elapsed in the period during which such interest accrues. In computing the number of day: during which interest accrues on any amount outstanding

hereunder, the first date from which interest is stated to accrue hereunder shall be included and the date of payment of such amount to the Bank shall be excluded.

SECTION 3. CONDITIONS PRECEDENT TO THE ISSUANCE OF THE LETTER OF CREDIT

The Bank's obligation to issue the Letter of Credit and all other obligations of the Bank hereunder are conditioned upon the satisfaction by the Company of all of the following conditions:

3.1 Execution and Delivery of Closing Documents. On or before the Date of Issuance, the Bank shall have received and approved the following documents, each of which shall be in form and substance satisfactory to the Bank and duly executed (and acknowledged where necessary) and delivered by the appropriate parties thereto:

(a) The Letter of Credit Application, in the form of Exhibit B;

(b) The Loan Agreement, the Indenture, and the Intercreditor Agreement;

(c) The Placement Agent Agreement;

(d) The Remarketing Agreement;

(e) The First Deed of Trust, the First Fixture Filing, the Memorandum of Assignment, the Second Deed of Trust, and the Second Fixture Filing, duplicate originals of which shall have been duly recorded in the Official Records of the County;

(f) The First Security Agreement and the Second Security Agreement;

(g) The First Financing Statement and the Second Financing Statement, duplicate originals of which shall have been duly filed in the Office of the California Secretary of State and, if the Company's principal place of business is located in a state other than California, in the Office of the Secretary of State of that state or other appropriate place or places in that state;

(h) Assignments to the Bank of the Project Plans and all Project Agreements, Permits, and Licenses, together with consents to such assignments where deemed appropriate by the Bank;

(i) An opinion of Bond Counsel and a supplemental opinion of Bond Counsel, as required by the Placement Agent Agreement, in each case dated the Date of Issuance and addressed to the Bank or accompanied by a

letter satisfactory to the Bank entitling the Bank, any Participants, and any successors or assigns of either to rely on such opinions to the same extent as if addressed to such persons (a "Reliance Letter");

(j) An opinion of counsel for the Company dated the Date of Issuance and addressed to the Bank, substantially in the form of Exhibit F;

(k) An opinion of counsel for the Trustee with respect to such matters as the Bank may request, dated the Date of Issuance and addressed to the Bank or accompanied by a Reliance Letter;

(1) An opinion of counsel for the Issuer with respect to such matters as the Bank may request, dated the Date of Issuance and addressed to the Bank or accompanied by a Reliance Letter;

(m) An opinion of O'Melveny & Myers, special counsel to the Bank, with respect to such matters as the Bank may request;

(n) Each of the approvals, authorizations, and consents described in Exhibit E;

(o) An "Authorized Representative Certificate," substantially in the form of Exhibit C;

(p) A certificate signed by an Authorized Representative of the Company and dated the Date of Issuance, confirming the satisfaction of the conditions set forth in Subsection 3.2;

(q) A Certification of Non-Foreign Status;

(r) Authorizing resolutions of the Board of Directors of the Company;

(s) The inducement resolution of the Issuer declaring the intent of the Issuer to issue Bonds to finance the Project; the resolution of the governmental body approving the issuance of the Bonds by the Issuer to finance the Project; the resolution of the Issuer authorizing the issuance of the Bonds; and the final resolution of the California Industrial Development Financing Advisory Commission approving the issuance of Bonds by the Issuer to finance the Project;

(t) A certificate of representations and warranties by the Company relating to the tax-exempt status of the Bonds; and

(u) Such other documents and instruments as the Bank may reasonably require.

3.2 Representations Correct; No Default. On the Date of Issuance:

(a) the representations and warranties contained herein and in each written document delivered by the Company to the Bank in connection with this Agreement shall be true and correct on and as of the Date of Issuance to the same extent as though made on and as of such date;

(b) no Event of Default or Potential Default shall have occurred and be continuing and neither will result from the issuance of the Letter of Credit.

3.3 Other Requirements. On the Date of Issuance:

(a) the Issuer shall have adopted and delivered to the Bank certified copies of resolutions, satisfactory to the Bank, authorizing the issuance of the Bonds and the execution, delivery and performance by the Issuer of the Loan Agreement, the Intercreditor Agreement and the Indenture, and on the Date of Issuance such resolutions shall be in full force and effect;

(b) the Trustee shall have accepted the trusts of the Indenture;

(c) all conditions precedent to the issuance of the Bonds (other than issuance of the Letter of Credit) shall have occurred;

(d) Moody's Investors Service shall have assigned a rating for the Bonds at least as high as the most recent rating assigned by such agency to other securities comparable to the Bonds secured by letters of credit issued by the Bank, and such rating shall not have been downgraded, suspended or withdrawn;

(e) the Bank shall have received all amounts required by this Agreement to be paid to the Bank on or before the Date of Issuance (or provision satisfactory to the Bank shall have been made for the payment thereof out of Bond proceeds on the Date of Issuance);

(f) the Bank shall have received and approved each of the items listed in Exhibit H, each of which (i) shall be dated on or before the Date of Issuance, ii) shall at the request of the Bank be brought current as of the Date of Issuance, and (iii) shall be in form and substance satisfactory to the Bank. For the purposes of this Section "such date", as used in Exhibit H, shall mean the Date of Issuance;

(g) the Loan Agreement and the Indenture shall be consistent with the requirements set forth in Exhibit G; and

(h) no legislation, rule, order or decree shall, in the opinion of counsel for the Bank, purport to prohibit or restrain the issuance of the Letter of Credit as provided in this Agreement.

SECTION 4. COMPANY'S OBLIGATIONS UNCONDITIONAL

The obligations of the Company under this Agreement shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with this Agreement (subject to any modifications, waivers or consents by the Bank in accordance with the terms hereof) under any and all circumstances, and shall not be affected by (a) any lack of validity or enforceability of any other Related Documents; (b) any amendment of, or any waiver or consent with respect to, all or any of the other Related Documents; (c) the existence of any claim, set-off, defense or other rights which the Company may have at any time against the Issuer, the Trustee, or any other person; (d) any breach of contract or other dispute between the Company and any person; (e) any statement or document presented under the Letter of Credit proving to be forged, fraudulent, untrue, inaccurate, invalid or insufficient in any respect; (f) any payment by the Bank under the Letter of Credit against presentation of a sight draft or certificate which does not comply with the terms of the Letter of Credit (except as otherwise expressly provided in Subsection 2.3(a) where such payment constitutes gross negligence or willful misconduct of the Bank); (g) any delay, extension of time, renewal, compromise or other indulgence or modification agreed to by the Bank, with or without notice to or approval by the Company in respect of any of the Company's indebtedness to the Bank under this Agreement; (h) any failure to complete the Project; (i) any exchange, release or nonperfection of any lien or security interest in any collateral pledged or otherwise provided to secure any of the obligations contemplated herein or in any of the other Related Documents; (j) any non-recourse nature of any of the Company's obligations under any of the Related Documents; or (k) any other circumstance or event whatsoever, whether or not similar to any of the foregoing. Notwithstanding the foregoing, nothing contained in this Section shall be construed to release the Bank from the performance of any of the covenants, undertakings or agreements of the Bank contained in this Agreement, except as otherwise expressly provided herein or to prevent the Company from enforcing any of the covenants, undertakings or agreements of the Bank in this Agreement directly against the Bank by suit for specific performance or claims for damages or a combination of the foregoing.

SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY

In order to induce the Bank to enter into this Agreement and to issue the Letter of Credit, the Company represents and warrants to the Bank that the following statements are true, correct and complete as of the date hereof and will be correct as of the Date of Issuance and the date of each Disbursement:

5.1 Organization, Powers and Good Standing.

(a) Organization and Powers. The Company is a corporation, duly incorporated, validly existing and in good standing under the laws of the State of its incorporation, as set forth on the cover page hereof. The Company has all

requisite power and authority, rights and franchises to own and operate its properties, to carry on its business as now conducted and as proposed to be conducted, and to enter into and perform this Agreement and the other Company Documents.

(b) Good Standing. The Company has made all filings and is in good standing in California and, if different, in the jurisdiction of its organization or incorporation, as the case may be, and in each other jurisdiction in which the character of the property it owns or the nature of the business it transacts makes such filings necessary or where the failure to make such filings could have a materially adverse effect on the business, operations, assets or condition (financial or otherwise) of the Company. The address of the Company's chief executive office and principal place of business is as set forth in Subsection 1.2.

(c) Non-Foreign Status. The Company is not a "foreign corporation," "foreign partnership," "foreign trust," or "foreign estate," as those terms are defined in the Internal Revenue Code and the regulations promulgated thereunder. The Company's U.S. employer identification number is as set forth in Subsection 1.2.

5.2 Authorization of Company Documents.

(a) Authorization. The execution, delivery and performance of the Company Documents by the Company are within the Company's powers and have been duly authorized by all necessary action by the Company, including the adoption of any necessary bylaws or resolutions by the board of directors of the Company.

(b) No Conflict. To the best of the Company's knowledge, after due investigation, the execution, delivery and performance of the Company Documents by the Company will not violate (i) the Company's articles of incorporation or bylaws or (ii) any Legal Requirement affecting the Company, or any of its properties, and will not result in or require the creation (except as provided in or contemplated by this Agreement) of any Lien upon any of such properties. The Company is not in violation of or default under any Legal Requirement which affects the enforceability of the Company Documents, title to the Project, or the ability of the Company to meet any of its obligations, including payment obligations, under the Company Documents, and no condition exists that would, with the giving of notice or lapse of time, or both, constitute such a violation or default.

(c) Governmental and Private Approvals. All governmental or regulatory orders, consents, permits, authorizations and approvals required for commencement and timely completion of the Project have been obtained. No additional governmental or regulatory actions, filings or registrations with respect to the Project, and, except as described in Exhibit E, no approvals, authorizations or consents of any trustee or holder of any indebtedness or obligation of the Company, or any other person, are required for the due

execution, delivery and performance by the Company of the Company Documents.

(d) Binding Obligations. This Agreement and the other Company Documents have been duly executed by the Company, and are legally valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity.

5.3 Litigation; Adverse Facts. Except as disclosed in writing to the Bank, there is no action, suit, investigation, proceeding or arbitration (whether or not purportedly on behalf of the Company) at law or in equity or before or by any foreign or domestic court or other governmental entity (a "Legal Action"), pending or, to the best of the Company's knowledge, threatened against or affecting the Company or any of its assets which could reasonably be expected to result in any material adverse change in the business, operations, assets (including the Project) or condition (financial or otherwise) of the Company or would materially adversely affect the Company's ability to perform its obligations under the Related Documents. There is no asserted claim against the Company in excess of $ 100,000. The Company is not (a) in violation of any applicable law, which violation materially adversely affects or may materially adversely affect the business, operations, assets (including the Project) or condition (financial or otherwise) of the Company, or (b) subject to, or in default with respect to, any Legal Requirement that would have a materially adverse effect on the business, operations, assets (including the Project) or condition (financial or otherwise) of the Company. There is no Legal Action pending or, to the best of the Company's knowledge, threatened against or affecting the Company questioning the validity or the enforceability of this Agreement or any of the other Related Documents.

5.4 Financial Condition. The most recent interim and annual financial statements of the Company, copies of which have been delivered to the Bank, fairly present the financial condition of the Company at the dates thereof, are true and correct, and have been prepared in accordance with GAAP on a basis consistently applied. Any other statements and data submitted in writing by the Company to the Bank in connection with this Agreement are true and correct in all material respects as of their dates. Since the dates of such financial statements there have been no material changes in the business, operations, assets, management, ownership or condition (financial or otherwise) of the Company, other than changes in the ordinary course of business that have not been materially adverse. Except as otherwise previously disclosed to the Bank in writing in connection with this Agreement, the Company has no knowledge of any liabilities, contingent or otherwise, of the Company, and no knowledge of any material Contractual Obligations of the Company (other than those entered into in the ordinary course of the Company's business) which might have a materially adverse effect upon the Company's business, operations, assets, management, or condition (financial or otherwise).

5.5 Title to Properties; Liens. The Company has good, sufficient and legal title to all properties and assets reflected in its most recent balance sheet delivered to the Bank, except for assets disposed of in the ordinary course of business since the date of such balance sheet. All of Company's properties are free and clear of Liens, except as permitted hereunder.

5.6 Disclosure. There is no fact known to the Company (other than matters of a general economic nature) which materially adversely affects the business, operations, assets or condition (financial or otherwise) of the Company which has not been disclosed in this Agreement or in other documents, certificates and written statements furnished to the Bank in connection herewith.

5.7 Payment of Taxes. All tax returns and reports of the Company required to be filed by it have been timely filed, and all taxes, assessments, fees and other governmental charges upon the Company and upon its properties, assets, income and franchises which are due and payable have been paid when due and payable, except to the extent such taxes are being contested in good faith in accordance with Subsection 16.1, and the Bank has received written notice of such contests. The Company knows of no proposed tax assessment against it that would be material to the condition (financial or otherwise) of the Company, and the Company has not contracted with any government entity in connection with taxes.

5.8 Trademarks, Copyrights and Patents. The Company possesses all necessary trademarks, trade names, copyrights, patents, patent rights and licenses to conduct its business as now operated, without any known conflict with the valid trademarks, trade names, copyrights, patents and license rights of others.

5.9 Securities Activities. The Company is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any margin stock (as defined within Regulations G, T and U of the Board of Governors of the Federal Reserve System), and not more than twenty-five percent (25%) of the value of the Company's assets consists of such margin stock.

5.10 Government Regulations. The Company is not subject to regulation under the Investment Company Act of 1940, the Federal Power Act, the Public Utility Holding Company Act of 1935, the Interstate Commerce Act or to any federal or state statute or regulation limiting its ability to incur Indebtedness for money borrowed.

5.11 Title to Property. The Company is the sole owner of, and has good and marketable title to, the fee interest in the Property and all other real and personal property described in the Bank Security Documents, free from any adverse lien, security interest or encumbrance of any kind whatsoever, excepting only (a) the Issuer Security Documents, (b) liens and security interests in favor of the Bank, and (c) other matters which have been approved in writing by the Bank.

5.12 Rights to Project Agreements, Permits and Licenses. The Company is the true owner of all rights in and to all existing Project Agreements, Permits and Licenses, and will be the true owner of all rights in and to all future Project Agreements, Permits and Licenses. The Company's interest in all contracts included in the Project Agreements, Permits and Licenses is not subject to any present claim, set-off or deduction other than in the ordinary course of business.

5.13 Legal Requirements. The Company has obtained and examined, or will obtain and examine in a timely fashion, all Legal Requirements, affecting or relating to the Project, including those relating to environmental quality. The Project does not and will not violate any of such requirements. The Company is not aware of any pending or threatened investigation by any state or federal agency with respect to such Legal Requirements.

5.14 Utilities, etc. Telephone services, gas, electric power, storm sewers, sanitary sewer, potable water facilities, and all other utilities and services necessary for the construction, operation and maintenance of the Project are available to the Property, are adequate to serve the Project, and are not subject to any conditions limiting the use of such utilities, other than normal restrictions applicable to users generally and normal charges to the utility supplier. All streets and easements necessary for the construction, operation and maintenance of the Project are available to the boundaries of the Property.

5.15 Commencement of Work. On or prior to the Date of Official Action, as defined in the Loan Agreement (i.e., March 5, 1985), neither the Company nor anyone else on the Company's behalf shall have (a) commenced construction of the Project, (b) purchased, contracted for or otherwise brought upon the Property any materials specially fabricated for or otherwise to be incorporated into the Project, or (c) made any oral or written contract, agreement or arrangement of any kind other than the Project Architect's Agreement.

5.16 Approved Budget. On a line-by-line and total basis the costs shown in the Approved Budget are true, correct and complete, and represent the total of all costs, expenses and fees which the Company expects to pay or may be or become obligated to pay to construct, occupy, and operate the Project.

5.17 Other Related Documents. Each of the representations and warranties of the Company contained in any of the other Related Documents is true and correct. All of such representations and warranties are incorporated herein by this reference to the same extent as if made by the Company herein for the benefit of the Bank.

SECTION 6. AFFIRMATIVE COVENANTS OF THE COMPANY

Until the later of the Expiration Date or payment in full of all amounts due and owing or payable to the Bank under this Agreement and the

other L/C Documents, unless the Bank otherwise expressly consents in writing:

6.1 Maintenance of Existence, Etc. The Company will (a) maintain and preserve its existence and all rights and franchises material to its business; (b) maintain its assets in good order and repair; (c) conduct its business in an orderly manner without voluntary interruption; and (d) maintain its chief executive office and principal place of business in the State in which it is currently located, as set forth in Subsection 1.2.

6.2 Maintenance of Insurance.

(a) The Company shall at all times provide, maintain, keep in full force and effect or cause to be provided, maintained, and kept in full force and effect, at its own expense, policies of insurance in such form and amounts, with such deductibles, and covering such casualties, risks, perils and liabilities as are customarily carried by similar businesses, and issued by responsible insurance carriers. Without limiting the generality of the foregoing, such insurance shall include fire and extended coverage (including a builder's "all risks" completed value policy in the greater amount of the Initial Stated Amount or the replacement cost of the Project), broad form public liability coverage for not less than $3,000,000 (carried by the Company and by H.M.H. Construction during construction), property damage (including course of construction coverage of not less than $3,000,000), product liability, workers' compensation and employer's liability insurance. Further, without limiting the generality of the foregoing, the Company shall provide, maintain and keep in force, at its own expense, such additional insurance as is customarily required for projects of a similar nature or as may be reasonably required by the Bank from time to time in the event that the Project is exposed to hazards and risks with respect to which the Bank deems the existing insurance inadequate to properly protect its interests.

(b) All policies of insurance required by the terms of this Agreement shall either have attached thereto a lender's loss payable endorsement for the benefit of the Bank and the Trustee in form satisfactory to the Bank and the Trustee or shall name the Bank and the Trustee as additional insureds and shall contain an endorsement or agreement by the insurer that any loss shall be payable in accordance with the terms of such policy notwithstanding any act or negligence of the Company or any party holding under the Company which might otherwise result in forfeiture of said insurance and the further agreement of the insurer waiving all rights of setoff, counterclaim and deduction against the Company.

(c) After the Project has been completed and until repayment of the Bonds and the satisfaction of all obligations of the Company under this Agreement, the Company shall also provide from time to time at the written request of the Bank, but not more often than once annually, satisfactory evidence of the insurable value of the Project. Such evidence may be in the form of an insurance appraisal or valuation report prepared

by an insurance company, agent or broker, professional appraiser, architect, engineer or contractor approved by the Bank. The Company shall bear the costs, if any, of such insurance appraisal or valuation report.

(d) The Company shall immediately furnish to the Bank all certificates of insurance for each policy required hereunder setting forth the coverage, the limits of liability, the deductibles, if any, the name of the carrier, the policy number, and the period of coverage, which certificates shall have been executed by authorized officials of the companies issuing such insurance, or by agents or attorneys-in-fact authorized to issue said certificates (in which event each such certificate shall be accompanied by a notarized affidavit, agency agreement or power of attorney evidencing the authority of the signature to issue such certificate on behalf of the insurer named therein). Upon the Bank's written request, the Company shall deliver original policies and endorsements and renewals thereof to the Bank. If the Bank consents, the Company may provide any of the required insurance through blanket policies carried by the Company and covering more than one location, or by policies procured by a tenant or other party holding under the Company; provided, however, all such policies shall be in such form and amount, with such deductibles, and issued by such companies, as are satisfactory to the Bank.

(e) At least thirty (30) days prior to the expiration of each required policy, the Company shall deliver to the Bank and the Trustee evidence satisfactory to the Bank and the Trustee of the insurance in form as required by this Agreement. All such policies shall contain a provision that, notwithstanding any contrary agreement between the Company and the insurance company, such policies will not be cancelled, allowed to lapse without renewal, surrendered or materially amended (which term shall include any reduction in the scope or limits of coverage) without at least thirty (30) days' prior written notice to the Bank and the Trustee. All consents and approvals of the Bank and the Trustee required by this Section 6.2 shall be given or withheld in the reasonable discretion of the Bank and the Trustee. If the Company fails to provide, maintain, and keep in force the policies of insurance required by this Agreement, the Bank may (but shall have no obligation to) procure such insurance, or single interest insurance for such risks covering the Bank's and the Trustee's interests, and the Company will pay all premiums therefor within three (3) Business Days after demand by the Bank; and until such payment is made by the Company, the amount of all such premiums, together with interest thereon at the Agreed Rate, shall be secured by the Second Deed of Trust.

6.3 Payment of Taxes, Etc. The Company will pay (a) all taxes, assessments and governmental charges upon it or any of its properties, income, assets or franchises before any penalties or interest accrues; and (b) all other sums due from it before penalties or interest accrues or Liens are imposed, in each case except to the extent contested in good faith in accordance with Subsection 16.1. The Company shall pay all government charges or taxes, including interest or penalties, (except income, franchise or other similar taxes)

payable in respect of the existence, execution or delivery of the Letter of Credit by reason of any existing or future federal or state or local statute.

6.4 Access and Reporting. The Company will permit the representatives of the Bank at any time or from time to time, upon one day's notice, to inspect all of its properties, books and records. The Company, at its expense, will furnish or cause to be furnished to the Bank the following:

(a) Notice of Default. As soon as possible, and in any event not later than five days after the occurrence of any Event of Default or Potential Default, a statement of an Authorized Representative of the Company describing the details of such Event of Default or Potential Default and any curative action the Company proposes to take;

(b) Monthly Statements. As soon as available, and in any event not later than 45 days after the last day of each month during the term of this Agreement commencing with the month designated by the Bank, financial statements of the Company including a balance sheet and a profit and loss statement, as at the close of and for such month, all in reasonable detail and prepared in accordance with GAAP on a basis consistently applied; such statements to be accompanied by a certificate signed by an Authorized Representative of the Company to the effect that such statements fairly present the financial condition of the Company as at the date indicated and the results of operations for the period indicated, subject, however, to year-end audit adjustments;

(c) Annual Statements. As soon as available, and in any event not later than 90 days after the close of each fiscal year of the Company, financial statements of the Company, including a profit and loss statement, reconciliation of capital accounts and a consolidated statement of changes in financial position of the Company as at the close of and for such fiscal year, all in reasonable detail, certified as provided in clause (b) above by an Authorized Representative of the Company and, upon request of the Bank, accompanied by the report of a firm of certified public accountants reasonably acceptable to the Bank, which opinion shall be unqualified or contain only such qualifications as (i) do not reflect a materially adverse change in the financial condition of the Company and (ii) are otherwise acceptable to the Bank;

(d) Budgets. As soon as available, and in any event not later than 90 days after the close of each fiscal year of the Company, copies of the projected annual Capital Budget and Operating Budget for the following year and, as soon as available, copies of all quarterly updates and reprojections of said budgets.

(e) Tax Returns. If requested by the Bank, as soon as available, and in any event not later than at the time of filing with the Internal Revenue Service, the federal tax returns (and supporting schedules, if any) of the Company;

(f) Supplemental Statements. As soon as available, and in any event not later than at the time of filing with the Internal Revenue Service, any statement, supplemental statement or other tax schedule or return or document filed with the Internal Revenue Service pursuant to Treasury Regulation Section 1.103-10(b)(2)(vi)(c) as the same may be amended or supplemented from time to time;

(g) Certificate of Performance. Concurrently with delivery of each of the financial statements provided for in clauses (b) and (c) above, a certificate of an Authorized Representative of the Company stating that the Company has performed and observed each of its covenants contained in this Agreement and that no Event of Default or Potential Default has occurred or, if any such event has occurred, specifying its nature;

(h) Audit Reports. Promptly upon receipt thereof, copies of all reports submitted to the Company by independent public accountants in connection with each annual, interim or special audit of the financial statements of the Company made by such accountants, including the comment letter submitted by such accountants to management in connection with their annual audit;

(i) Proxy Statements. If requested by the Bank, promptly upon their becoming available, copies of (i) all financial statements, reports, and notices sent or made available generally by the Company to its members and (ii) all press releases and other statements made available generally by the Company to the public concerning material developments relating to or affecting the Project or the business of the Company.

(j) Other L/C Documents. All other documents, certificates, statements, notices, and other information required to be furnished to the Bank pursuant to any of the L/C Documents, in the manner and at the times therein provided;

(k) Notices, Certificates or Communications. Immediately upon giving or receipt thereof, copies of any notices, certificates or other communications given to or received from the Trustee or the Issuer pursuant to or in connection with any of the Related Documents, as well as any notices and other communications delivered to the Property or to the Company naming the Bank or the "Construction Lender" as addressee, or which could reasonably be deemed to affect the construction of the Project or the ability of the Company to perform its obligations to the Bank;

(1) Certification of Non-Foreign Status. Promptly upon request of the Bank from time to time, a Certification of Non-Foreign Status, executed on or after the date of such request by the Bank; and

(m) Other Information. Such other documents and information relating to the affairs of the Company and the Project as the Bank reasonably may request from time to time.

6.5 Additional Notices. The Company will promptly give notice to the Bank of (a) any fact or circumstance of which the Company becomes aware that may render the Approved Budget inaccurate in any material respect; (b) any Lien affecting the Project other than Liens expressly permitted hereby; (c) the institution of any Legal Action involving a potential liability of the Company in excess of $100,000 (describing the proceeding and the steps being taken with respect thereto), and any material development or determination in any such Legal Action, (d) any other event or condition which may materially adversely affect the development or operation of the Project, and (e) any change or contemplated change in (i) the location of the Company's executive headquarters or principal place of business, (ii) the legal, trade, or fictitious business names used by the Company or (iii) the nature of the Company's trade or business.

6.6 Maintenance of Properties. The Company will maintain all of its properties in good working order and condition, ordinary wear and tear excepted.

6.7 Further Assurances. At any time or from time to time upon the request of the Bank, the Company will, at its expense, promptly execute, acknowledge, and deliver such further documents and do such other acts and things as shall be necessary or advisable, in the Bank's judgment, in order to effect fully the purposes of this Agreement or of any of the other Related Documents. The Company will pay all fees and expenses (including reasonable attorneys fees) incurred by the Bank in connection therewith.

6.8 Protection of Liens on Property. The Company will maintain (a) the lien created by the Indenture and the lien created by the First Deed of Trust as a first lien upon the Project; and (b) the lien created by the Second Deed of Trust as a second lien upon the Project, subject to no additional Liens or encumbrances other than title exceptions set forth in the Title Policies and acceptable to the Bank.

6.9 Compliance with Legal Requirements. The Company will comply and cause others to comply in all material respects with all Legal Requirements affecting the Project, and all other Legal Requirements the noncompliance with which would have a material adverse effect on (a) the business, operations, assets, or condition (financial or otherwise) of the Company or (b) the ability of the Company to perform its obligations under the Related Documents.

6.10 Payment of Indebtedness. The Company will (a) duly and punctually pay or cause to be paid all principal of and interest on any Indebtedness of the Company, (b) comply with and perform all conditions, terms and obligations of the notes or other instruments or agreements evidencing or securing such Indebtedness, (c) promptly inform the Bank of any default, or potential default, under any such note, agreement, or instrument, and (d) forward to the Bank a

copy of any notice of default or notice of any potential default under any such note, agreement or instrument.

6.11 Appendices. The Company will duly, timely and diligently comply with each and every term, covenant, condition and provision set forth in Appendix I (Construction Covenants and Disbursement Procedures) and Appendix II ERISA Matters).

6.12 Use of Disbursements. The Company will use or cause to be used all Disbursements solely for the purpose of paying Project Costs.

6.13 Project Agreements, Permits and Licenses. To the extent not heretofore delivered to the Bank pursuant to Section 3, the Company will furnish to the Bank, as soon as available and if requested by the Bank, true and correct copies of all Project Agreements, Permits and Licenses, together with assignments thereof to the Bank and consents to such assignments where deemed appropriate, all in form and substance acceptable to the Bank. The Company has not assigned or granted, or will assign or grant, a security interest in any of the Project Agreements, Permits and Licenses, other than to the Bank and the Issuer or the Trustee.

6.14 Other Company Documents. The Company shall comply in all respects with all of the covenants contained in the other Company Documents, all of which covenants are incorporated herein by this reference.

6.15 Financial Covenants.

(a) The Company shall maintain a ratio of Indebtedness to Net Worth of not more than 1.00.1.00.

(b) The Company shall maintain Working Capital o` not less than $3,500,000.

(c) Interest Expense shall be allocated against the Operating Budget and such Operating Budget shall not exceed the Operating Retains.

(d) Capital Expenditures shall be allocated against the Capital Budget and the use of funds included in such Capital Budget shall not exceed the sources of capital funds, which shall include the Capital Retains.

6.16 Removal of Condition Subsequent. As soon as possible after completion of construction o the Improvements; (a) the Company shall cause Kaiser Development Company, a California corporation ("Kaiser"), the grantor under that certain Corporation Grant Deed dated November 5, 1984, as amended by that certain Correction of and Amendment to Corporation Grant Deed dated as of November 5, 1984 (the "Grant Deed"), to execute and deliver to the Company a certificate or other instrument (the "Certificate") in recordable form evidencing and acknowledging completion of the Improvements and Kaiser's waiver and release of its right of reentry pursuant to the Condition Subsequent

attached as Exhibit "B" to the Grant Deed (the "Condition Subsequent"); (b) the Company shall cause the Certificate to be recorded in the Official Records of the County Recorder of Riverside County, California; and (c) the Company shall cause the Title Company to remove or endorse over the exception to coverage under the Title Policies represented by the Condition Subsequent.

SECTION 7. NEGATIVE COVENANTS OF THE COMPANY

Until the later of the Expiration Date or payment in full of all amounts due and owing or payable to the Bank under this Agreement and the other L/C Documents, unless the Bank otherwise expressly consents in writing:

7.1 Type of Business. The Company will not discontinue or make any substantial change in the character of its business, as indicated in Subparagraph (d) of Section 1.2.

7.2 Other Indebtedness. The Company will not create, incur, assume, guarantee, permit to exist, or otherwise become directly or indirectly liable for any Indebtedness, except Permitted Indebtedness. Also, the Company will not dispose, with or without recourse, of any accounts or notes receivable or any sums due or to become due.

7.3 Liens and Encumbrances. Subject to Subsection 16.1, the Company will not create, incur, assume or permit to exist any Lien upon or on any of its property or assets now owned or hereafter acquired in which the Bank has a security interest pursuant to the Bank Security Documents or any related income or profits other than (a) Liens for taxes, assessments or governmental charges not yet due and payable; (b) Liens incurred in the ordinary course of business in connection with workers' compensation, unemployment insurance or social security obligations; (c) mechanics', workmen's, materialmen's, landlords', carriers' or other similar liens arising in the ordinary course of business with respect to obligations which are not due; and (d) Liens in favor of the Trustee or the Bank. In this connection, the Company acknowledges that the existence of junior encumbrances might require consents by junior lienholders to changes in the construction financing in order to protect the security positions of the Trustee and the Bank, and would impair the expeditious completion of the Project, to the detriment of all parties. The Company will not pledge or place liens upon its accounts receivable or its inventory, or both, in an aggregate amount exceeding $6,000,000.

7.4 Loans and Investments. The Company will not lend money, make investments, or extend credit, other than in the ordinary course of its business as presently conducted.

7.5 Limitation on Contingent Liabilities. The Company will not guarantee or otherwise become directly or indirectly responsible (including under

an agreement to purchase any obligations, stock, assets, goods or services or to supply or advance any funds, assets, goods or services) for any Indebtedness or other obligation of any person, except for Permitted Contingent Liabilities.

7.6 Sale of Business; Merger or Consolidation. The Company will not (a) liquidate, dissolve, merge or consolidate, or begin any proceedings to do so; or (b) sell, lease, assign or transfer any substantial part of its business or assets, or any assets (including in sale-leaseback transactions) unless in the ordinary course of business and the assets included are not necessary for its business as conducted prior to such transfer.

7.7 Regulations G, T and U. The Company will not use the proceeds of the Company Loan, directly or indirectly, to purchase or carry any margin stock (within the meaning of Regulations G, T and U of the Board of Governors of the Federal Reserve System) or extend credit to others for such purpose.

7.8 Amendment of Company Documents. Unless necessary, in the opinion of Bond Counsel, to preserve the exemption of the interest on the Bonds from federal income taxation, the Company will not enter into or consent to any amendment, termination, modification or other alteration of any of the Company Documents, or any assignment, transfer, pledge or hypothecation of any of its rights thereunder.

7.9 Disposition of Project. The Company will neither cause nor permit (a) any "transfer" (as that term is defined in Section 1.19 of the Second Deed of Trust) of all or any portion of the Project or any other property granted under the Second Deed of Trust (collectively, the "Trust Estate"), or (b) any change in the membership of the Company pursuant to which any one member would hold 50% or more equity credits in the Company, in either case, without first receiving the prior written consent of the Bank and obtaining an opinion of Bond Counsel addressed to the Bank that such transfer shall not adversely affect the exemption from federal income taxation of interest on the Bonds. Consent by the Bank to one such transaction shall not be deemed to be a waiver of the Bank's right to require its separate written consent to future or successive transactions. The Bank may grant or deny such consent in its sole discretion, and if such consent is given, any such transferee shall assume all of the obligations of the transferor under this Agreement and the other Related Documents and agree to be bound by all provisions contained in all such documents, and the Company and such transferee shall comply in all other respects with any requirements set forth in the Related Documents relating to such transfer. Such assumption shall not, however, release the transferor or any other party from any liability to the Bank under this Agreement or any other Related Documents except as otherwise expressly agreed in writing by the Bank. Section 1.19 of the Second Deed of Trust defines "transfer" as follows:

"As used herein, a 'transfer' of the Trust Estate shall include (i) any sale, agreement to sell, transfer or conveyance of the Trust Estate, or any portion thereof or interest therein, whether voluntary, involuntary, by operation

of law or otherwise, or the lease of all or any portion of the Premises: (ii) the leasing of or permitting any other party to use or occupy any portion of the Premises; (iii) the use of any part of the surface, or subsurface to a depth of 500 feet below the surface, of the Land for the prospecting for, drilling for, production (including injection and other producing or withdrawal operations), mining, extraction, storing or removal of any oil, gas or other minerals whether from the Land or elsewhere; (iv) any transfer by way of security, including the placing or the permitting of the placing of any mortgage, deed of trust, assignment of rents or other security device on the Premises or any part thereof (other than the First Deed of Trust and the First Security Agreement); and (vi) the sale or offering of direct or indirect interests in Trustor through syndication of limited partnership interests."

7.10 Amendment of Bylaws. The Company will not amend, or permit the amendment of, Section 8.08 of its Bylaws and, Marketing Agreement, as amended May 6, 1982.

SECTION 8. EVENTS OF DEFAULT

Upon written notice to the Company (except for the occurrence of any of the events described in Subsections 8.1, 8.2, 8.12 and 8.13, as to which no such notice shall be required), the occurrence of any of the following events shall be an "Event of Default" hereunder:

8.1 Required Deposits. The Company shall fail to make, when due, any deposit to the Reimbursement Account required by Subsection 2.3.

8.2 Other Payments. The Company shall fail to pay when due any other amount due to the Bank under this Agreement or under any of the other L/C Documents.

8.3 Misrepresentation. Any representation or warranty of the Company, (a) contained in this Agreement or any of the other L/C Documents, (b) contained in any certificate delivered in connection with the L/C Documents, or (c) made to the Bank concerning the financial condition or creditworthiness of the Company, shall prove to have been false or misleading in any material respect when made.

8.4 Non-Satisfaction of Conditions to Disbursement. The Company shall fail to satisfy any applicable condition precedent to the Bank's consent to a Disbursement, as set forth in Part A of Appendix I (Construction Covenants and Disbursement Procedures), or else to resolve any such situation to the Bank's satisfaction, for more than 30 days after written notice from the Bank.

8.5 Injunction. An order or decree shall be entered in any court of competent jurisdiction enjoining or restraining the development of the Project or the consummation of the transactions contemplated by this Agreement, which order or decree shall not be vacated within 30 days after it is entered.

8.6 Security Documents. There shall occur an "Event of Default," as that term is defined in any of the Bank Security Documents or in any of the Issuer Security Documents.

8.7 Indenture. There shall occur an "Event of Default," as that term is defined in the Indenture.

8.8 Loan Agreement. There shall occur an "Event of Default," as that term is defined in the Loan Agreement.

8.9 Invalidity. Any payment obligation of the Company under this Agreement, or under Article IV of the Loan Agreement, shall at any time for any reason cease to be valid and binding on the Company, or the validity or enforceability thereof shall be contested or denied by the Company or any governmental agency or authority.

8.10 Other Indebtedness. The Company shall (a) fail to make any payment of any Indebtedness either relating to the Project or exceeding $100,000 when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness where the effect of such failure is to accelerate or permit the acceleration of such Indebtedness, or (b) otherwise breach any agreement or instrument relating to any Indebtedness either relating to the Project or exceeding $100,000, where the effect of such breach is to accelerate, or to permit the acceleration of, the maturity of such Indebtedness.

8.11 Change in Financial Condition. The Company shall become insolvent, or there shall be a breach of any of the financial covenants contained in Section 6.15.

8.12 Involuntary Proceedings. Without the application or consent of the Company, (a) a receiver, trustee, custodian or similar officer shall be appointed for the Company, or for any substantial part of its property, or (b) any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, liquidation, or similar proceedings under the laws of any jurisdiction shall be instituted (by petition, application, or otherwise) against the Company; and such appointment or proceedings shall remain undischarged or undismissed for a period of 60 days.

8.13 Voluntary Proceedings. The Company shall (a) admit in writing its inability to pay its debts when due, or (b) make an assignment for the benefit of creditors, or (c) apply for or consent to the appointment of any receiver, trustee, custodian, or similar officer for the Company, or for any substantial part of its property, or (d) institute (by petition, application, or otherwise) or consent to any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, liquidation, or similar proceedings under the laws of any jurisdiction against the Company, or (e) approve or adopt any resolution or otherwise authorize action to approve any of the foregoing.

8.14 Dissolution. If the Company shall dissolve, or a verified complaint for involuntary dissolution of the Company shall be filed in accordance with Section 1800 of the California Corporations Code, or any order, judgment or decree shall be entered which decrees the dissolution of the Company.

8.15 Judgments. Any final, unappealable and uninsured money judgment or judgments in the aggregate sum of $50,000 or more shall be rendered against the Company or its assets, or any writ or warrant of attachment, or similar process shall be entered or filed against the Company or any of its assets, and such judgment, writ, warrant or process shall remain unsatisfied, unsettled, unvacated, unbonded and unstayed for a period of 30 days or in any event later than five Business Days prior to the date of any proposed sale thereunder.

8.16 Unauthorized Deviations, Defects, or Encroachments. There shall occur any material deviation from the Project Plans, without the prior written approval of the Bank, except as specifically authorized in Paragraph B.2 of Appendix I (Construction Covenants and Disbursement Procedures), or any workmanship or materials shall appear defective, or there shall appear any encroachment to which the Bank has not previously consented (collectively, an "Unauthorized Deviation, Defect or Encroachment"); provided, however, that if such Unauthorized Deviation, Defect or Encroachment is curable within 30 days (or such longer period as the Bank shall have expressly approved in writing) and does not relate, in the reasonable judgment of the Bank, to matters which are of an emergency nature, it shall not constitute a default if corrective action satisfactory to the Bank is commenced within five days after written notice from the Bank, and such Unauthorized Deviation, Defect or Encroachment is in fact cured within 30 days after such notice (or within such longer period as is approved in writing by the Bank).

8.17 Work Stoppage. Work on the Project shall cease for 10 or more consecutive days prior to the Final Project Completion Date without the Bank's written consent, for causes within the Company's control, except as contemplated by the approved Construction Schedule.

8.18 Expiration of Permits. The Company shall fail to keep in force and effect any permit, license, consent or approval which is required or necessary for the Company to carry on its business, the lack of which would have an adverse effect on its business, or to construct or operate the Project; or the Company shall fail to renew any other permit, license, consent, or approval required under this Agreement within fifteen (15) days after the expiration thereof.

8.19 ERISA Defaults. The occurrence of any "ERISA Default", as that term is defined in Section 1 of Appendix II (ERISA Matters).

8.20 Insolvency of General Contractor. H.M.H. Construction shall become bankrupt or insolvent, or H.M.H. Construction shall withdraw from the construction of the Project and the Company shall fail to procure a general construction contract with a new general contractor satisfactory to the Bank

within 30 days from the occurrence of such bankruptcy, insolvency, or withdrawal.

8.21 Insurance; Protection of Liens Prohibited Transfers. The Company shall ail to perform or observe any term, covenant or condition contained in Subsection 6.2 (relating to the maintenance of insurance), in Subsection 6.8 relating to protection of the Liens of the First and Second Deeds o Trust), or in Subsection 7.9 (relating to prohibited transfers).

8.22 Breach of Other Covenants. The Company shall fail to perform or observe any term, covenant or condition contained in this Agreement or in any other L/C Document, provided that if such failure is not an Event of Default under any other Subsection of this Section 8, then it shall not constitute an "Event of Defaults" under this Subsection 8.22 if the Company promptly notifies the Bank of its intention to cure said default and in fact cures such default within 30 days; and provided, further, that as to any default under Subsection 6.1 (Maintenance of Existence, Etc.), Subsection 6.4 (Access and Reporting), Sub section 6.6 (Maintenance of Properties), or Subsection 6.7 (Further Assurances, if such default is reasonably capable of being cured within an additional 30 days, then a single additional 30-day grace period shall be allowed so long as the Company shall have acted and shall act continuously and diligently to cure such default during the initial 30-day period and during such additional grace period:

SECTION 9. REMEDIES

9.1 Notice to Trustee. Upon the occurrence of an Event of Default, the Bank's obligation to consent to any further Disbursements shall terminate, and the Bank shall, at its option, have the right to notify the Trustee of the occurrence of such Event of Default and to request that the Trustee accelerate the Company Loan and call all Bonds for redemption in accordance with Section 802 of the Indenture. Upon the occurrence of any Event of Default, whether or not the Bank notifies the Trustee of such Event of Default and whether or not the Trustee draws upon the Letter of Credit to redeem the Bonds as a result thereof, (a) the Bank shall have the option to declare (i) all sums then owing to the Bank hereunder or under any of the other L/C Documents, plus (ii) a sum equal to the then Stated Amount of the Letter of Credit (which sum, upon receipt thereof by the Bank, shall be held by the Bank as collateral security for the reimbursement of any drawings under the Letter of Credit and the payment of any other amounts due and payable hereunder or under any of the other L/C Documents and as collateral security for the Trustee for the benefit of the Bondholders for the repayment by the Company of principal and interest on the Bonds), immediately due and payable by the Company to the Bank, without presentment, demand, protest, or notice of any kind; provided that upon the occurrence of any Event of Default described in Subsection 8.12 or Subsection 8.13, the above-described sums shall automatically become immediately due and payable without the necessity of any such declaration by the Bank; and (b) the Bank shall have all the rights and remedies provided herein and in the other Related Documents, including, without limitation, the right to enforce any Liens granted under this Agreement, and the Bank Security Documents.

9.2 Completion of Project; Power of Attorney. Upon the occurrence of an Event of Default, the Bank shall have the right whether or not any foreclosure, receivership or other proceedings shall have been commenced or completed) to take possession of the Property and to complete the Project substantially in the manner contemplated by the Project Plans, and to employ security personnel to protect the Property and the Project from injury. All sums so expended by the Bank shall be deemed to have been paid to the Company and secured by the Bank Security Documents. Effective upon the occurrence of an Event of Default, (a) the Company hereby assigns to the Bank all of the Company's rights, title and interests in and to all Project Agreements, Permits and Licenses, provided, however, that this assignment shall not impose upon the Bank any of the Company's obligations under such agreements, permits or licenses, in the absence of an affirmative written assumption of such obligations by the Bank; and (b) the Company hereby constitutes and appoints the Bank as its true and lawful attorney-in-fact, with full power of substitution, to complete the Project in the name of the Company, and hereby empowers the Bank, as said attorney-in-fact, (i) to use any of the funds of the Company, including any undisbursed portion of the Company Loan and any funds of the Company which are then held by the Bank, for the purpose of completing the Project; (ii) to make such additions, changes, and corrections in the Project Plans as the Bank deems desirable to complete the Project in an economically sound manner; (iii) to employ any contractors, subcontractors, agents, architects and inspectors as the Bank deems desirable for such purposes; (iv) to pay, settle, or compromise all existing bills and claims which are or may be Liens against the Property or the Project, or as may be necessary or desirable for the completion of the Project or clearance of title; (v) to execute all applications and certificates in the name of the Company as may be required by any of the Project Agreements, Permits and Licenses; (vi) to prosecute, defend, or settle any or all actions or proceedings in connection with the Project, and to take such action and require such performance as the Bank deems necessary in connection with any payment or performance bond, guaranty of completion or insurance policy; and (vii) to do any and every other act in connection with the completion of the Project which the Company might do on its own behalf. This power of attorney shall be deemed to be a power coupled with an interest, and cannot be revoked.

9.3 Accounts Receivable. Upon the occurrence of an Event of Default, the Bank shall have the right, to the extent permitted by law, to impound and take possession of books, records, notes and other documents evidencing the Company's accounts, accounts receivable and other claims for payment of money, arising in connection with the Project, to give notice to the obligors thereunder of the Bank's interest therein, and to make direct collections on such accounts, accounts receivable and claims.

9.4 Set Off; Waiver of Set Off. Upon the occurrence of an Event of Default, the Bank may, at any time and from time to time, without notice to the Company or any other person (any such notice being expressly waived), set off and appropriate and apply, against and on account of any obligations and liabilities of the Company to the Bank arising under or connected with this Agreement and the other L/C Documents, irrespective of whether or not the

Bank shall have made any demand therefore, and although such obligations and liabilities may be contingent or unmatured, any and all deposits (general or special, including but not limited to Indebtedness evidenced by certificates of deposit, whether matured or unmatured, but not including trust accounts) and any other Indebtedness at any time held or owing by the Bank to or for the credit or the account of the Company; provided, however, that the Bank waives any such right, and any other similar right it may have at law or otherwise, during the pendency of any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, liquidation, or similar proceedings against the Company under the laws of any jurisdiction, to the extent that the exercise of such rights during the pendency of such proceedings would result in the Bank's being released, prevented or restrained from or delayed in fulfilling the Bank's obligation under the Letter of Credit, and provided, further, that the foregoing waiver agreement by the Bank shall terminate and be of no force and effect if Moody's Investors Service shall have advised the Bank in writing that the absence of such a waiver would not result in the lowering or suspension by Moody's Investors Service of its rating of the Bonds.

9.5 Defaults Under Other Documents. The Bank shall have the right to cure any default under any of the Related Documents but shall have no obligation to do so.

9.6 Remedies Cumulative. All remedies of the Bank provided for in this Agreement are cumulative and shall be in addition to any and all other rights and remedies available under the Bank Security Documents or any other document or by law or equity. No exercise by the Bank of any right or remedy shall in any way constitute a cure or waiver of any Event of Default hereunder, or invalidate any act done pursuant to any notice of default, or prejudice the Bank in the exercise of any other right or remedy available to the Bank. No failure on the part of the Bank to exercise, and no delay in exercising, any right or remedy shall operate as a waiver or otherwise preclude enforcement of any of its rights and remedies; nor shall any single or partial exercise of any right or remedy preclude any further exercise thereof or of any other right or remedy. The Bank need not resort to any particular right or remedy before exercising or enforcing any other.

SECTION 10. OTHER ACTIONS BY BANK

The Bank, in addition to its other rights granted by this Agreement or otherwise, shall have the following rights:

10.1 Right to Advance or Post Funds. In the event of any default under any of the Related Documents, or if the Bank at any time determines that an event or condition exists which could endanger the timely completion of the Project or impede the fulfillment or satisfaction of any condition or term of this Agreement or any of the other Related Documents, the Bank may cure such default, or advance funds for the account of the Company to correct such event or condition, in such manner as the Bank deems proper, without prejudice to the

Company's rights, if any, to recover such funds from the party to whom paid. Such advances may be pursuant to such agreements as the Bank deems proper, and may include agreements to indemnify a title insurer against possible assertion of lien claims or to pay disputed amounts to contractors if the Company is unable or unwilling to pay them. All sums so advanced by the Bank to cure any such default or to correct any such event or condition, or which are agreed to be paid pursuant to any such agreement, shall be for the account of the Company, shall be reimbursed to the Bank by the Company within three (3) Business Days after demand (with interest at the Agreed Rate until date of reimbursement), and shall be secured (along with such accrued interest) by the Bank Security Documents. Nothing in this Agreement shall be construed as imposing under any circumstances any obligation upon the Bank to complete the Project, to cure any default of the Company under this Agreement or under any of the other Related Documents, or otherwise to perform any of the Company's obligations hereunder or thereunder.

10.2 Cure by Disbursement. Upon the occurrence of (a) any Event of Default or Potential Default curable by the payment of money, or (b) any other matter described in Subsection 10.1, the Bank, without waiving any other right the Bank may have against the Company, shall have the right to make such cure by payment from the Disbursement Account or from any other funds deposited with the Bank by or on behalf of the Company pursuant to this Agreement.

10.3 Conversion at Election of Bank. At any time the Company fails to pay to the Bank within 90 days following a Purchase Draw an amount equal to such Purchase Draw plus accrued interest thereon at the Remarketing Period Interest Rate to the date of payment, the Bank may elect to convert all of the Bonds then outstanding to a Fixed Interest Rate, as provided in Section 204 of the Indenture. Prior to the proposed Conversion Date, the Bank may rescind such election as provided in Section 204(c) of the Indenture.

SECTION 11. NOTICES

All notices and other communications hereunder shall be in writing and shall be delivered by hand, by prepaid telegram, or by registered or certified U.S. mail, return receipt requested (postage prepaid), to the notice addresses set forth in Subsection 1.2 or to such other addresses as the parties may provide to one another in accordance with this Section. Such notices and other communications shall, if sent by mail in accordance with this Section, be deemed given two (2) Business Days after deposit in the U.S. mail, and if sent by any other method, shall be effective only if and when received by the addressee.

SECTION 12. INDEMNIFICATION

In addition to its other obligations hereunder, the Company hereby agrees to indemnify and hold harmless the Bank, its officers, directors, employees and agents (collectively, the "Indemnitees") from and against any and all

claims, damages, losses, liabilities, costs or expenses (including reasonable fees and expenses of counsel) that the Indemnitees may incur (or that may be claimed against the Indemnitees by any person) in connection with (a) any breach by the Company of any representation, warranty or covenant made in or pursuant to this Agreement; (b) any failure by the Company or the Issuer to comply with applicable federal and state laws and regulations pertaining to the offer and sale of the Bonds; or (c) the execution and delivery of, the transfer to a successor trustee of, or the payment or failure to pay under, the Letter of Credit; provided, however, that the foregoing provision shall not require the Company to indemnify the Bank for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by (i) the willful misconduct or gross negligence of the Indemnitees in determining whether a sight draft or certificate presented under the Letter of Credit substantially complied with the terms of the Letter of Credit or (ii) the Bank's willful failure to pay under the Letter of Credit after the presentation to it by the Trustee or a successor trustee of a sight draft or certificate strictly complying with the terms of the Letter of Credit.

SECTION 13. LIABILITY OF THE BANK

As to the Bank, the Company assumes all risks of the acts or omissions of the Trustee and any other Letter of Credit Beneficiary with respect to its use of the Letter of Credit; provided, however, this assumption is not intended to, and shall not, preclude the Company from pursuing such rights and remedies as it may have against the Trustee or any other Letter of Credit Beneficiary at law or under any other agreement. Neither the Bank nor any of its officers, directors, employees or agents shall be liable or responsible for: (a) the use made of the Letter of Credit or for any acts or omissions of the Trustee or any Letter of Credit Beneficiary; (b) the validity, sufficiency or genuineness of any documents, or endorsements, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; (c) payment by the Bank against presentation of documents which do not comply with the terms of the Letter of Credit, including failure of any documents to bear adequate reference to the Letter of Credit; or (d) any other circumstances in making or failing to make payment under the Letter of Credit; provided, however, the Company shall have a claim against the Bank, and the Bank shall be liable to the Company, to the extent, but only to the extent, of any direct, as opposed to consequential, damages suffered by the Company which the Company proves were caused by acts or omissions of the Bank described in clauses (c)(i) and (c)(ii) of Section 12. By way of amplification, the Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary. Subject to the foregoing, the determination of whether a draft has been presented under the Letter of Credit prior to the Expiration Date or whether a draft drawn under the Letter of Credit or any accompanying document or instrument is in proper and sufficient form shall be made by the Bank in its sole discretion, which determination shall be conclusive and binding upon the Company. The Company hereby waives any right to object to any payment made

under the Letter of Credit against a draft with accompanying documents in the forms provided for in the Letter of Credit but varying in punctuation, capitalization, spelling or similar matters of form.

SECTION 14. SUCCESSORS AND ASSIGNS

This Agreement is a continuing obligation and shall be binding upon the Bank and the Company, and their respective successors, transferees and assigns, and shall inure to the benefit of and be enforceable by the Bank and the Company and their respective successors, transferees and assigns; provided, however, that the Company may not assign all or any part of this Agreement without the prior written consent of the Bank. The Bank, without the consent of the Company or any other person, may assign, negotiate, pledge, hypothecate, or grant participations in this Agreement or in any of its rights and security under this Agreement and the other L/C Documents, so long as such action (a) does not adversely affect any rating then borne by the Bonds, or subject them to redemption, and (b) permits the Company to continue dealing solely with a single person in connection with this Agreement. The Company shall accord full recognition to any such assignment, and all rights and remedies of the Bank in connection with the interest so assigned shall be as fully enforceable by such assignee as they were by the Bank before such assignment. In connection with any proposed assignment, the Bank may disclose to the proposed assignee any information that the Company is required to deliver to the Bank pursuant to this Agreement. If requested by the Company, the Bank shall provide in connection with any such assignment an opinion of Bond Counsel to the effect that such assignment, in and of itself, (1) will not cause interest on the Bonds to be included in the gross income of the holders thereof for purposes of federal income taxation and (2) will not constitute an event of default under any of the Related Documents that would permit acceleration of the obligations of the Company under the Company Loan or mandatory redemption of the Bonds.

SECTION 15. NO FURTHER COLLATERAL; AGREEMENT TO SHARE EQUALLY WITH TRUSTEE

So long as there has not occurred and there is not continuing an Event of Default or Potential Default and the Company remains in possession of the Project and as the obligor under the Loan Agreement, the Bank will not procure or require any additional collateral from the Company beyond that contemplated by this Agreement to secure the obligations of the Company. If an Event of Default or Potential Default shall occur, the Bank may require or procure additional collateral from the Company, and such collateral shall be granted at least equally and ratably to the Trustee in trust for the benefit and security of the Bondholders and the Issuer, unless the acceptance of such additional collateral without it being granted at least equally and ratably to the Trustee would not result in the Bank's being released, prevented, restrained from or delayed in fulfilling the Bank's obligations under the Letter of Credit; provided, however, that the requirement that additional collateral be granted at least

equally and ratably to the Trustee shall terminate and be of no further force and effect if Moody's Investors Service advises in writing that such acceptance by the Bank of additional collateral will not result in the lowering or suspension by Moody's Investors Service of its rating of the Bonds.

SECTION 16. MISCELLANEOUS PROVISIONS

16.1 Permitted Contests. The Company shall have the right, before any delinquency occurs, to contest or object in good faith to any claim, demand, levy or assessment (other than in respect of Indebtedness or Contractual Obligations of the Company under any of the Related Documents), by appropriate legal proceedings which are not prejudicial to the Bank's rights, but this shall not be deemed or construed as in any way relieving, modifying or providing any extension of time with respect to the Company's covenant to pay and comply with any such claim, demand, levy or assessment, unless the Company shall have given prior written notice to the Bank of the Company's intent to so contest or object thereto, and unless (i) the Company shall have demonstrated to the Bank's satisfaction that such legal proceedings shall conclusively operate to prevent enforcement prior to final determination of such proceedings, and (ii) the Company shall have furnished such bond, surety, undertaking, or other security in connection therewith as is requested by and satisfactory to the Bank.

16.2 Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California, without regard to the principles of conflicts of laws.

16.3 Survival of Warranties. All agreements, representations and warranties made in this Agreement and in any related certificates shall survive the execution and delivery of this Agreement and the issuance and expiration of the Letter of Credit and the repayment of the Company Loan, and shall continue until any and all sums payable under this Agreement, and all obligations which are secured by the Second Deed of Trust, shall have been paid and performed in full.

16.4 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions or affecting the validity or enforceability of such provision in any other jurisdiction.

16.5 Counterparts. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original, and all of which counterparts, taken together, shall constitute but one and the same Agreement.

16.6 Time of Essence. Time is of the essence of this Agreement and of each provision in which time is an element.

16.7 No Further Credits. The Bank shall not be obligated to issue any further credits to cure any defaults under the Related Documents or otherwise, or in any other manner to extend any financial consideration to the Company except as expressly provided in this Agreement.

16.8 Headings. Section and other headings in this Agreement are for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

16.9 Independence of Covenants. All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any one of such covenants, the fact that it would be permitted by an exception to, or be otherwise within the limitations of, another covenant shall not avoid the occurrence of an Event of Default or Potential Default if such action is taken or condition exists.

16.10 Waivers. No waiver or consent under this Agreement shall be effective unless it is in writing and signed by the party so waiving or consenting. Each waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

16.11 Substitution of Letter of Credit. The Company may not deliver to the Trustee a Substitute Letter of Credit (as defined in the Indenture) until the Company has discharged in full its Payment Obligations to the Bank.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered by their respective duly authorized officers and representatives as of the date first above written.

"Bank": SECURITY PACIFIC NATIONAL BANK

By: /s/ [SIGNATURE ILLEGIBLE]

Vice President

"Company": CALAVO GROWERS OF CALIFORNIA

By: /s/ EGIDIO CARBONE

Vice President - Finance

APPENDIX I
TO
REIMBURSEMENT AGREEMENT

CONSTRUCTION COVENANTS AND DISBURSEMENT PROCEDURES

Part A: DISBURSEMENTS.

A.1 Bank's Consent to Disbursements by the Trustee. Pursuant to Article III of the Loan Agreement, Section 304 of the Indenture, and Section 3 of the Intercreditor Agreement, the Trustee is to make disbursements from the Construction Fund for the payment or reimbursement of Project Costs only upon receipt of a Funding Requisition complying with the requirements set forth in Section 3.3 of the Loan Agreement, duly executed by the Company and accompanied by the Bank's written consent to such Disbursement. The Company shall complete, execute, and forward to the Bank its Funding Requisition for each requested Disbursement, together with a complete set of Payment Request Documents with respect thereto, as described in Paragraph A.3 of this Appendix I. Provided that the Company shall have satisfied all of the terms and conditions set forth below with respect to such Disbursement, the Bank shall promptly forward such Funding Requisition to the Trustee, together with the Bank's written consent thereto.

The Bank's approval of a Funding Requisition shall not be construed as a representation by the Bank that it has reviewed, considered, approved, or joined in any of the representations of the Company contained therein. The Bank shall not be required to give its consent to more than two Disbursements during each calendar month.

A.2 Disbursement Method. Each Disbursement from the Construction Fund for the payment of Project Costs shall be made by the Trustee to the Bank for the account of the Company, in such manner as the Bank may direct the Trustee. Upon receipt of such an approved Disbursement from the Trustee, the Bank shall promptly disburse such funds for the payment of the Project Costs described in the approved Payment Request Documents for such Disbursement, by depositing such funds into the Disbursement Account to cover checks drawn on such Disbursement Account to pay such Project Costs, or to reimburse the Company therefor, provided, however, that the Bank, at its sole option, may make Disbursements directly to any contractors, subcontractors, laborers, materialmen, or other persons providing services or materials to the Project (collectively, "Claimants") by using the Bank's "Cashier's Check Method of Payment," i.e., by issuing and delivering to the Company cashier's checks payable to such Claimants, in accordance with a "Request for Cashier's Checks" which shall be submitted by the Company and approved by the Bank as part of the Payment Request Documents for such Disbursement.

A.3 Conditions to Disbursements. The Bank's consent to any Disbursement by the Trustee shall be subject to satisfaction of each of the following conditions precedent:

(a) Representations and Warranties Correct; No Default. As of the date of such Disbursement, (i) the representations and warranties of the Company contained in the Company Documents shall be correct as though made on and as of that date, (ii) no Event of Default shall have occurred and be continuing and no Potential Default shall exist on such date, and (iii) the Company shall have performed and satisfied all of the terms and conditions imposed by the Loan Agreement and the Indenture in connection with the making of such Disbursement (other than submission to the Trustee of a Funding Requisition therefor approved by the Bank).

(b) Payment Request Documents. The Company shall have submitted to the Bank, and the Bank shall have approved, the following documents (collectively, the "Payment Request Documents") with respect to such Disbursement, each of which shall be in form and substance satisfactory to the Bank and duly executed by the appropriate parties:

(i) a certificate, signed by an Authorized Representative of the Company, confirming the satisfaction of each of the conditions set forth in Subparagraph A.3(a) of this Appendix I;

(ii) a "Payment Request," in duplicate, in the form of Schedule A attached hereto or in such other form as the Bank shall from time to time require, together with a report, certified as true and correct by an Authorized Representative of the Company, setting forth such details concerning construction of the Project as the Bank may require, including without limitation: (A) a detailed breakdown of all Project Costs, including an itemization of (1) all Project Costs accrued as of the date of such Payment Request, (2) all Project Costs accrued and unpaid as of such date, (3) all Project Costs projected to be necessary to complete the Project, and (4) the application of all past Disbursements; (B) a current construction progress schedule; (C) the Company's and the Contractor's cost breakdowns for the Project, itemized as to trade description and item and, if requested by the Bank, showing the name of each contractor and subcontractor, and including, without limitation, such indirect costs as real estate taxes, legal and accounting fees, insurance, architects' and engineers' fees, loan fees, interest during construction, and the Contractor's and the Company's overhead; and (D) all changes from the previous report which are known or reasonably anticipated by the Company;

(iii) evidence of proper application of all past Disbursements, including without limitation the following, if required by the Bank: an unconditional partial waiver of lien, from the Contractor and each subcontractor, in form and substance satisfactory to the Bank, covering the full amount of all past Disbursements for direct construction costs through the date of the most recent Disbursement, and an unconditional final waiver of

lien, in form and substance satisfactory to the Bank, from each subcontractor who, as of the most recent Disbursement, had completed the work covered by its subcontract, covering the full amount due each such subcontractor;

(iv) if the Bank is requiring that Disbursements to Claimants be made by the Bank's Cashier's Check Method of Disbursement, a completed "Request for Cashier's Checks", in form and substance acceptable to the Bank;

(v) if requested by the Bank, specific assignments to the Bank of all Project Agreements, Permits and Licenses for which such specific assignments shall not have previously been delivered to the Bank, together with signed consents to such assignments where deemed appropriate by the Bank;

(vi) if any part of the Disbursement is for site preparation and grading, a certificate from the soils engineer for the Project that such work and all grading and site preparation then in process or completed is in compliance with the recommendations specified in such soils engineer's soils test report previously delivered to the Bank pursuant to Exhibit H;

(vii) such title insurance endorsements to the Bond Trustee Title Policy and the Bank Title Policy as the Bank may require, including, without limitation, endorsements reflecting the date and the amount of the requested Disbursement and insuring the continued priority of the liens of the First Deed of Trust and the Second Deed of Trust over mechanics' and other liens, subject to no exceptions to title other than those which have been approved by the Bank;

(viii) if installation of the Project foundations shall have been completed, (A) an updated survey of such foundations and the perimeter walls of the buildings to be constructed on the Property, prepared by a surveyor registered or licensed in the State of California, and (B) CLTA Endorsement 102.5 (foundation endorsement) to the Bond Trustee Title Policy and to the Bank Title Policy; and

(ix) such other documents and information as the Bank may reasonably require, including, without limitation, invoices, purchase orders and lien releases from all Claimants covering the amount of each Disbursement thereto.

(c) Delivery of Listed Items. The Bank shall have received and approved each of the items described in Exhibit H. For the purposes of this Subparagraph A.3(c), "such date", as used in Exhibit H, shall mean the date of submission of the Payment Request Documents for such Disbursement.

(d) Inspection by Bank. The work of construction shall be progressing or shall have been completed to the Bank's satisfaction, based on the inspection and findings of the Bank's inspector.

(e) Stored Materials. The Bank shall have the right, in its sole discretion, to withhold its consent to any Disbursement for materials purchased or to be purchased but not yet installed or incorporated into the Project ("Stored Materials"). Without limiting the generality of the foregoing, the Bank, as a condition to its consent to any requested Disbursement relating to Stored Materials, may require that the Company supply the Bank with the following:

(i) Evidence satisfactory to the Bank that the Stored Materials requested are included within the coverage of the insurance policies required by Subsection 6.2;

(ii) A certificate satisfactory to the Bank from the seller or fabricator of the Stored Materials that upon payment, ownership of the Stored Materials will vest in the Company free of liens and claims of third parties; and

(iii) Evidence satisfactory to the Bank that the Stored Materials are stored on the Property and adequately protected from theft and damage, or, if not so stored, (A) evidence that the Stored Materials are stored in a bonded warehouse or storage yard approved by the Bank, which warehouse or yard has been notified that the Trustee and the Bank have a security interest in said Stored Materials, and (B) the original warehouse receipt.

A.4 Insurance or Condemnation Proceeds.

(a) Conditions. The Bank, in its sole discretion, may require insurance or condemnation proceeds to be deposited in the Insurance and Condemnation Proceeds Account of the Revenue Fund established by the Trustee for repair, restoration or replacement of the Project. Any insurance or condemnation proceeds on deposit in the Insurance and Condemnation Proceeds Account shall be held by the Trustee as cash or invested in obligations of a state, territory or possession of the United States or any political subdivision of the foregoing, the interest of which is exempt from Federal income taxation pursuant to Section 103(a) of the Internal Revenue Code of 1954, as amended. Disbursements of such proceeds shall be pursuant to the same procedures as set forth herein with respect to original construction, but shall be subject to satisfaction of each of the following additional conditions within a reasonable period after such insurance or condemnation proceeds are received by the Bank or the Trustee:

(i) Within 30 days after such insurance or condemnation proceeds are received by the Bank or the Trustee, the Company shall have submitted to the Bank and the Trustee in writing a certificate stating that the Company intends to commence restoration of the Project to a condition substantially the same as the condition of the Project

immediately prior to the loss to which such insurance or condemnation proceeds relate, and that such restoration is reasonably expected to be completed in a timely fashion within six months of the commencement of construction;

(ii) If the Bank determines, in its sole judgment, that the amount of available insurance or condemnation proceeds is insufficient to pay the costs of restoration of the Project, then Company shall deposit with the Bank, after the Bank's demand therefor, cash in the amount of such insufficiency as determined by the Bank, for disbursement prior to disbursement of any insurance or condemnation proceeds;

(iii) The Bank and all applicable governmental authorities shall have approved the final plans and specifications for restoration of the Project;

(iv) Company shall have delivered to the Bank (A) a budget of all costs of restoration of the Project (which, upon approval by the Bank, shall be the "Approved Budget" hereunder), (B) a Construction Schedule for the restoration of the Project, and (C) a construction contract for the restoration work in form and content, and with a contractor, acceptable to the Bank;

(v) The Bank shall have determined that after the restoration work is completed (A) the value of the Project, as determined by the Bank in its sole discretion, will be not less than the original appraised value of the Project approved by the Bank, and (B) the Company will have income sufficient to pay all operating expenses and debt service;

(vi) All of the conditions to Disbursements specified herein as applicable to the original construction of the Project shall have been met; and

(vii) If the insurance or condemnation proceeds in question are in excess of 25% of the then-Stated Amount of the Letter of Credit, the Bank shall have elected, in its sole discretion, not to require that the amount of such insurance or condemnation proceeds be applied to the prepayment of the Company Loan in accordance with Section 4.6(b) of the Loan Agreement.

(b) Redemption of Bonds. If (i) the Company shall fail to satisfy in a timely manner the above-described conditions to the application of such insurance or condemnation proceeds to the restoration of the Project, or (ii) the insurance or condemnation proceeds in question are in excess of 25% of the then stated Amount of the Letter of Credit, then the Bank shall have the right, in its sole discretion, to require that the amount of all insurance or condemnation proceeds be applied to the prepayment of the Company Loan in accordance with Section 4.6(b) of the Loan Agreement. Notwithstanding anything to the contrary contained in the Company Documents, in the event that the Bank elects to

require that insurance or condemnation proceeds be applied to prepay the Company Loan, or in the event that the Company elects to apply such proceeds to such prepayment, the Company shall have no obligation to restore the Project to the condition of the Project immediately prior to the loss to which such proceeds relate.

Part B: CONSTRUCTION OF THE IMPROVEMENTS

B.1 Construction Period.

The Company shall commence construction of the Project on or before the Required Commencement Date and shall cause such construction to continue with diligence and continuity in compliance with the Project Plans and the Construction Schedule in order that the Project shall be "completed" on or before the Required Completion Date, provided, however, that the Required Completion Date may be extended for a period equal to proven delays caused by fire, earthquake or other acts of God, acts of public enemies, riot, insurrection, governmental regulation of the sale of materials and supplies or the transportation thereof, strikes directly affecting the work of construction or shortages of material or labor resulting directly from governmental control or diversion, but in no event shall the Required Completion Date be extended for such causes for more than a total of 45 days unless the Bank otherwise consents. As used herein, the Project shall be deemed "completed" on the date that all of the following conditions have been satisfied (the "Final Completion Date"):

(i) The Project shall have been completed in accordance with the Project Plans and all Legal Requirements, and the Company shall have furnished to the Bank, at the Company's expense, a standard AIA form of Certificate of Project Completion, signed by the Project Architect, certifying that the Project has been completed in a good and workmanlike manner and in accordance with the Project Plans;

(ii) A valid notice of completion shall have been recorded and the applicable lien periods shall have expired, or, in lieu thereof, the Bank shall have received and approved final lien waivers and releases, in form and substance satisfactory to the Bank, from all contractors, subcontractors, laborers and materialmen employed or furnishing materials in connection with the construction of the Project;

(iii) All claims of lien and stop notices that may have been recorded or notice thereof served on the Bank, the Issuer or the Trustee shall have either been paid in full and released or the Company shall have posted a surety bond sufficient to discharge the same;

(iv) The Company shall, at its expense, have delivered or caused the Title Company to deliver to the Bank and the Trustee the reissued Bond Trustee Title Policy and the reissued Bank Title Policy, as described in Exhibit H, which policies shall show no exceptions to title not

then or previously approved by the Bank, and shall contain such endorsements previously attached to said Policies and such other endorsements as the Bank shall require, including, without limitation, CLTA endorsements 100 and 102.5;

(v) The Company shall have delivered or caused to be delivered to the Bank a complete set of "as built" working drawings, as well as a copy of the "as-built" Survey prepared in connection with the reissuance of the Bond Trustee Title Policy and the Bank Title Policy;

(vi) The Bank shall have received satisfactory evidence that no Uniform Commercial Code financing statements or fixture filings are recorded or filed in the Office of the California Secretary of State (or in the Office of the Secretary of State of the state in which the Company's principal business office is located, if other than California), or in the Official Records of the County, against the Company or the Company's interest in the Property or the Project, or which purport to cover any collateral described in the Second Security Agreement, except those which may have been filed in favor of the Bank and the Issuer or the Trustee in connection herewith;

(vii) The Bank shall have received appropriate approvals from (A) all governmental authorities regarding completion of the Project, which approvals shall be evidenced by an irrevocable certificate for the permanent occupancy thereof to the extent such approval is a condition to the lawful use and occupancy of the Project; (B) the local board of fire underwriters or its equivalent; and (C) all other governmental authorities having jurisdiction over the contemplated uses, operation and occupancy of the Project;

(viii) The Company shall have submitted to the Bank copies of all Project Agreements, Permits, and Licenses, and all insurance policies or certificates required under Subsection 6.2, to the extent not previously delivered to the Bank; and

(ix) the Company shall have executed and delivered to the Bank three duplicate originals of a Completion Certificate (as defined in the Loan Agreement).

B.2 Approval of Changes in Project Agreements and Approved Budget.

(a) The Company shall strictly enforce all contracts and agreements included in the Project Agreements, Permits and Licenses and shall not agree to any material Change Order or any changes in the Approved Budget, except pursuant to written Change Order and in accordance with this Paragraph B.2. Change Orders which would result in a material change in the Project Plans, the Construction Schedule or the General Contract (as determined by the Bank in its sole discretion), or which (i) would increase or decrease Project Costs

by more than the Change Order Individual Approval Amount in the case of an individual Change Order, or (ii) would cause the aggregate of all Change Orders (whether proposed or executed) which have not been approved in writing by the Bank to exceed the Change Order Aggregate Approval Amount, shall be submitted to the Bank for its prior written approval on a form acceptable to the Bank, accompanied by a copy of the contract to which such Change Order relates. Any such Change Order must, prior to being effective, be duly approved by the Bank, the Contractor, the Project Architect, the Bank's inspector, and such other persons as the Bank requires. Notwithstanding the foregoing, the Project Plans shall not be modified, amended or supplemented in any way which would (A) detract from the scope or value of the Project or (B) violate any of the Related Documents.

(b) The Company acknowledges that the process of obtaining the information and confirmations needed to put the Bank in a position to approve Change Orders may cause delays, and the Company consents to reasonable delays and agrees to cooperate diligently with the Bank in the gathering of the information required. In addition, the Company acknowledges and agrees that the Bank is under no duty to review, advise or inform the Company of, and the Bank's approval or disapproval shall not constitute a warranty or representation about, the quality or suitability of the Project Plans or any modification, amendment or supplement thereto. All contracts relating to the Project shall, to the extent reasonably possible, contain provisions implementing the provisions of this Paragraph B.2.

B.3 Purchase of Materials Under Conditional Sales Contract. Except as expressly authorized by the Bank in writing, no materials, equipment, fixtures or any other part of the Project, or articles of personal property placed in the Project, shall be purchased, installed or affixed under any security agreement or other arrangements however denominated whereby the right is reserved or accrues to anyone to remove or to repossess any such item or to consider them personal property after their incorporation in the work of construction or whereby any person other than the Bank (and, so long as the Trustee retains an interest in the Project as trustee, the Trustee) reserves, acquires or creates a lien upon or security interest in such items; provided, However, that the Company may utilize leased construction equipment in connection with the construction of the Project.

B.4 Inspection.

(a) The Bank and its agents and representatives shall have the right: (i) of free entry and access to the Project and to all sites away from the Project where materials that are to be incorporated into the Project are stored; (ii) at the Company's expense, to inspect all work done, labor performed and materials furnished for use in the Project; (iii) to directly contact or otherwise communicate with the Contractor and other Claimant to verify any matters disclosed in any Payment Request Documents submitted to the Bank; and (iv) to examine, copy and make extracts of, all books, records, accounting data, subcontracts and other documents pertaining to the Company or the Project and

all contractors and subcontractors supplying goods or services in connection with the construction of the Project. The Company shall cooperate with and shall cause the Contractor and all subcontractors to cooperate with the Bank and its agents and representatives. Said books, records, accounting data, subcontracts and documents shall be made available to the Bank promptly upon written demand therefor. The Bank shall use its agents and representatives in Riverside, California, to inspect the Project. The Company shall require or cause its contractors to require that all contracts relating to the Project contain an acknowledgment of the foregoing inspection rights, except where such rights have been waived by the Bank in writing.

(b) The Company acknowledges that the Bank is under no duty to supervise or to inspect the work of construction, the labor performed therefor, the materials used therein or any books and records. The Company agrees that any inspections by the Bank are for the sole purpose of preserving the Bank's rights hereunder and that the Company is not entitled to rely upon the same with respect to materials, workmanship, compliance with the Project Plans or otherwise. The Company intends and agrees to conduct its own investigations and inspections of the construction, the labor performed and materials supplied to determine that the quality of the Project and all other requirements of the construction are being performed in a manner satisfactory to the Company. The Company agrees to immediately notify the Bank, in writing, should the same be in any manner unsatisfactory. A failure to inspect the construction of the Project, any part thereof or any books and records relating thereto, shall not constitute a waiver of any of the Bank's rights hereunder. Inspection not followed by notice of default shall not constitute a waiver of any default then existing; nor shall it constitute an acknowledgment that there has been or will be compliance with the Project Plans or that the construction is free from defective materials or workmanship.

B.5 Protection Against Claims.

(a) The Company shall promptly discharge or cause to be discharged any mechanics' or materialmen's liens or claims of lien filed or otherwise asserted against the Property, the Project or any funds due the Contractor and any proceedings for the enforcement thereof and shall promptly discharge or cause to be discharged any stop notices received by the Bank the Issuer, or the Trustee; provided, however, that so long as no proceedings shall have been commenced for the enforcement of such claims or liens, the Company shall have the right to contest in good faith and with reasonable diligence the validity of any such liens or claims upon furnishing to the Title Company such security or indemnity as the latter may require to induce it to issue its Title Policies, or an interim endorsement thereto, insuring against all such claims or liens and, provided further, that the Bank shall not be required to consent to any further Disbursements until all such mechanics' or materialmen's liens or claims of lien have been so insured against by the Title Company to the Bank's satisfaction. In the case of stop notices, the Company shall have the right to contest, in good faith and with reasonable diligence, the validity of any stop notice, provided that the Company shall immediately file with the Bank and the

Trustee a bond in the form and amount required by law in order to release such stop notice. The Bank shall have no obligation to consent to any further Disbursements until all stop notices have been fully released or discharged.

(b) If (i) the Company fails promptly to discharge or contest liens, claims of lien or stop notices and provide the security or indemnity in the manner provided in clause (a) above, or (ii) after having complied with the provisions of clause (a) above there is an adverse conclusion to any such contest and the Company does not cause any final judgment or decree to be immediately satisfied and the lien or stop notice to be discharged, then the Bank may, but shall not be required to, procure the release and discharge of any such lien or stop notice and any judgment or decree thereon, and in furtherance thereof may, in its sole discretion, effect any settlement or compromise or furnish any security or indemnity as may be required by the Title Company. All amounts expended by the Bank in connection with the provisions of this Subparagraph B.5(b) shall, within three (3) Business Days after demand therefor, be repaid by the Company, together with interest thereon at the Agreed Rate from the date of such expenditure until the Bank has been repaid and, until paid, said sums shall be secured by the Bank Security Documents. In settling, compromising or arranging for the discharge of any liens or stop notices under this Subparagraph B.5(b), the Bank shall not be required to establish or confirm the validity or amount of the lien or stop notice.

(c) The Company will designate the Bank and the Trustee as the "Construction Lender" on any application for building permits for the Project in accordance with California Civil Code Section 3097(i).

B.6 Conformity with Project Plans. The Company agrees to construct the Project in conformity in all material respects with the Project Plans and the recommendations contained in the approved soils report for the Project. If construction of the Project is not in conformity with the Project Plans and such recommendations in any material respect, or if any materials or workmanship on the Project shall appear to the Bank to be defective, or in the event of any encroachment to which the Bank shall not have previously consented, the Bank, in addition to its other rights and remedies, shall have the right (a) to direct that the Company stop the work (or such portion thereof as the Bank deems necessary) and repair, reconstruct or correct such matter in accordance with the Project Plans and such recommendations, and (b) to withhold its consent to all further Disbursements until the work is in satisfactory compliance with the Project Plans and such recommendations, and any such defect or encroachment is eliminated. After the issuance of any such direction by the Bank, no further work, except work to correct the defect or encroachment, shall be done on the Project without the prior written consent of the Bank until the work is in satisfactory compliance with the Project Plans and such recommendations. Upon notice from the Bank to the Company, or the Company's discovery irrespective of such notice, that the work is not in conformity with the Project Plans and such recommendations, the Company shall commence correcting the deviation, as promptly as is practicable and in any event within five days after the notice, and shall prosecute such work diligently to completion, which in no event shall be

later than 30 days after such notice or discovery unless the Company shall provide written notice to the Bank that the correction shall take longer and the Bank shall consent thereto. If corrective action satisfactory to the Bank is not commenced within five days after written demand therefor by the Bank, the Bank shall have the right (but not the obligation or the duty) to undertake such action at the Company's expense. Furthermore, if the Bank determines that the corrective work is not proceeding satisfactorily, the Bank shall have the right (but not the obligation or the duty), upon not less than five days' notice to the Company, to take over such corrective work itself and prosecute it to completion at the Company's expense.

B.7 Encroachments. Except for off-site improvements designated in the Project Plans, the Company agrees that the Project shall be constructed entirely within the lot lines of the Property and will not encroach upon any easements, right of way, any other real estate, building lines or set-back requirements. The Company will furnish, from time to time upon demand, satisfactory evidence of compliance with the requirements of this Paragraph B.7.

B.8 Warranties. Upon request of the Bank, the Company shall furnish or otherwise make available to the Bank copies of all warranties and guaranties received from any laborer or supplier furnishing labor, materials, equipment, fixtures or furnishings in connection with the Project.

B.9 Authority to File Notices. The Company irrevocably appoints, designates, and authorizes the Bank as its agent (said agency being coupled with an interest) to file for record any notice of completion, cessation of labor, or any other notice that the Bank deems necessary or desirable to protect its rights and interests hereunder or under any of the other Related Documents.

B.10 Signs. The Company shall erect a sign provided by the Bank on the Property in a conspicuous location indicating that construction financing is being secured by the Bank, which sign shall comply with all applicable zoning ordinances and restrictive covenants. The Bank shall have the right to enter onto the Property and to post such other signs and notices as the Bank deems necessary or desirable to protect its rights and interests in the Project.

B.11 Third-Party Consultants. After notice to the Company, the Bank may hire such third-party consultants as it deems necessary, the costs of which shall be paid by the Company in accordance with Subsection 2.6, to provide the following services: (a) to review the Project Plans; (b) to review the final construction cost breakdown and the Construction Schedule; (c) to conduct compliance inspections with respect to the progress of construction of the Project and to review each element of any request for Disbursement submitted by the Company; and (d) to perform such other services as may from time to time, be required by the Bank in connection with the administration of the transactions contemplated hereby.

B.12 Disclaimer by the Bank. The Bank shall not be liable to any contractor, subcontractor, supplier, laborer, architect, engineer, or any other

person for services performed or materials supplied in connection with the Project, or for any debts or claims accruing in favor of any such person against the Company or others or against the Property or the Project. The Company is not and shall not be an agent of the Bank for any purpose. The Bank is not a joint venture partner with the Company or with any constituent partner or shareholder, as the case may be, of the Company in any manner whatsoever. Prior to default by the Company under this Agreement and the exercise by the Bank of the remedies granted herein, the Bank shall not be deemed to be in privity of contract with any contractor, subcontractor, or provider of services to the Project, nor shall any payment of funds directly to any such person be deemed to create any third party beneficiary status or recognition of same by the Bank. Approvals granted by the Bank for any matter covered by this Agreement shall be narrowly construed to cover only the parties and facts identified in any written approval, and shall be solely for the benefit of the Company.

B.13 Commissions and Brokerage Fee. The Company shall pay any and all valid claims for any commission, broker's or finder's fee, or similar charges in connection with the transactions contemplated hereby, and shall indemnify and hold the Bank harmless from and against any and all claims, whether or not valid, for any such commissions, fees or charges.

B.14 Completion of Construction. For purposes of subdivision (6) of Section 9313 of the California Commercial Code, "completion of the construction" shall not be deemed to occur prior to completion of all work, and installation or incorporation into the Improvements of all materials, for which Disbursements are made hereunder.

SCHEDULE A

[LOGO]
SECURITY PACIFIC NATIONAL BANK

PAYMENT REQUEST

BORROWER ______________________________ DISBURSEMENT NO. ________ DATE ____________

LOCATION ______________________________ OFFICE ____________________________________

____

ITEM NO.	ITEM	ESTIMATED CONSTRUCTION COST	PREVIOUSLY EARNED	THIS REQUEST	TOTAL EARNED	UNDISBURSED
TOTAL AMOUNTS...		$	$	$	$	$

APPENDIX II
TO
REIMBURSEMENT AGREEMENT

ERISA MATTERS

Section 1: Definitions. (a) As used in this Appendix, the following terms shall have the indicated meanings:

"ERISA Affiliate" of a person means any trade or business (whether or not incorporated) that is a member of a group of which such person is a member and that is under common control with such person within the meaning of the regulations promulgated under Section 414 of the Internal Revenue Code.

"ERISA Default" means the occurrence of any of the following events: (a) any Pension Plan maintained by the Company or any of its ERISA Affiliates shall be terminated within the meaning of Title IV of ERISA, or a trustee shall be appointed by an appropriate United States district court to administer any Pension Plan, or the PBGC shall institute proceedings to terminate any Pension Plan or to appoint a trustee to administer any Pension Plan if as of the date thereof the Company's liability or any such ERISA Affiliate's liability (after giving effect to the tax consequences thereof) to the PBGC for unfunded guaranteed vested benefits under the Pension Plans exceeds the then current value of assets accumulated in such Pension Plan by more than $50,000 (or in the case of a termination involving the Company or any of its ERISA Affiliates as a "substantial employer" (as defined in Section 4001(a)(2) of ERISA) the withdrawing employer's proportionate share of such excess shall exceed such amount); or (b) the Company or any of its ERISA Affiliates as employer under a Multiemployer Plan shall have made a complete or partial withdrawal from such Multiemployer Plan and the plan sponsor of such Multiemployer Plan shall have notified such withdrawing employer that such employer has incurred a withdrawal liability in an annual amount exceeding $50,000.

"Multiemployer Plan" means a "multiemployer plan" (as defined in Section 4001(a)(3) of ERISA) maintained for employees of the Company or any ERISA Affiliate of the Company.

"PBGC" means the Pension Benefit Guarantee Corporation or any successor established under ERISA.

"Pension Plan" means any employee plan subject to the provisions of Title IV of ERISA and maintained for employees of the Company or any ERISA Affiliate of the Company, other than a Multiemployer Plan.

"Termination Event" means (a) a "Reportable Event" described in Section 4043 of ERISA and related regulations (other than a "Reportable Event" not subject to the provision for 30-day notice to the PBGC under such

regulations), or (b) the withdrawal of the Company or any of its ERISA Affiliates from a Pension Plan during a plan year in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA, or (c) the filing of a notice of intent to terminate a Pension Plan or the treatment of a Pension Plan amendment as a termination under Section 4041 or ERISA, or (d) the institution of proceedings to terminate a Pension Plan by the PBGC, or (e) any other event or condition that might constitute grounds under Section 4042 of ERISA for the termination, or the appointment of trustee to administer, any Pension Plan.

"Unfunded Liabilities" means, with respect to any Pension Plan, the excess of the current value of the Pension Plan's benefits guaranteed under ERISA over the current value of the Pension Plan's assets allocable to such benefits.

(b) As used in this Appendix, the term "accumulated funding deficiency" has the meaning specified in Section 302 of ERISA and Section 412 of the Internal Revenue Code, the term "accrued benefit" has the meaning specified in Section 3 of ERISA and the term "current value" has the meaning specified in Section 4062(b)(1)(A) of ERISA.

Section 2: Representations and Warranties. In order to induce the Bank to enter into this Agreement and to issue the Letter of Credit, the Company represents and warrants to the Bank that as of the date hereof and as of the Date of Issuance, the Company and each of its ERISA Affiliates is and will be in compliance in all material respects with the applicable provisions of ERISA and the regulations and published interpretations thereunder; no Termination Event has occurred or is reasonably expected to occur with respect to any Pension Plan; there is no Unfunded Liability with respect to any Pension Plan; neither the Company nor any of its ERISA Affiliates makes any contribution to any Multiemployer Plan and has withdrawn from any such Multiemployer Plan on or after September 26, 1980.

Section 3: Covenants of Company. Until the later of the Expiration Date or payment in full of all amounts due and owing or payable to the Bank under this Agreement and the other L/C Documents:

3.1 Termination Events and Prohibited Transactions. Promptly upon becoming aware of the occurrence of any (i) Termination Event, or (ii) "prohibited transaction," as such term is defined in Section 4975 of the Internal Revenue Code, in connection with any Pension Plan or any trust created thereunder, the Company shall give written notice to the Bank specifying the nature thereof, and, when known, any action taken or threatened by the Internal Revenue Service or the PBGC with respect thereto;

3.2 Other ERISA Notices. Upon request by the Bank, the Company shall furnish the Bank with copies of (a) all notices received by the Company or any of its ERISA Affiliates of the PBGC's intent to terminate any Pension Plan; (b) each Schedule B (Actuarial Information) to the annual report (Form 5500 Series) filed by the Company or any of its ERISA Affiliates with the Internal

Revenue Service with respect to each Pension Plan; and (c) all notices received by the Company or any of its ERISA Affiliates from a Multiemployer Plan sponsor concerning the imposition or amount of withdrawal liability pursuant to Section 4202 of ERISA; and

3.3 Negative Covenants. The Company will not, and will not permit any of its ERISA Affiliates to (a) engage in any transaction in connection with which the Company or any of its ERISA Affiliates could be subject to either a civil penalty assessed pursuant to Section 502(i) of ERISA or a tax imposed by Section 4975 of the Internal Revenue Code, in either case in an amount in excess of $100,000; (b) fail to make full payment when due of all amounts which, under the provisions of any Pension Plan, the Company or any of its ERISA Affiliates is required to pay as contributions thereto, or permit to exist any accumulated funding deficiency, whether or not waived, with respect to any Pension Plan in an aggregate amount greater than $250,000; (c) permit the current value of all vested benefits under all Pension Plans to exceed value of the assets of such Pension Plans (excluding Pension Plans with assets greater than vested benefits) allocable to such vested benefits by more than $250,000; or (d) fail to make any payments in an aggregate amount greater than $250,000 to any Multiemployer Plan that the Company or any of its ERISA Affiliates may be required to make under any agreement relating to such Multiemployer Plan, or any law pertaining thereto.

EXHIBIT A

SECURITY PACIFIC NATIONAL BANK

IRREVOCABLE DIRECT DRAW LETTER OF CREDIT

September 5, 1985

Letter of Credit No. 100-0092

First Interstate Bank of California
707 Wilshire Boulevard
Los Angeles, California 90017
Attention: Corporate Trust Department (W10-2)

Ladies and Gentlemen:

At the request and for the account of our customer, CALAVO GROWERS OF CALIFORNIA, a California corporation, we (the "Bank") hereby establish in your favor this Irrevocable Direct Draw Letter of Credit ("Letter of Credit"). This Letter of Credit is issued to you as trustee (the "Trustee") under that certain Indenture of Trust dated as of SEPTEMBER 1, 1985 (the "Indenture"), for the benefit of the holders of the $4,200,000 VARIABLE RATE DEMAND INDUSTRIAL DEVELOPMENT REVENUE BONDS (CALAVO GROWERS OF CALIFORNIA PROJECT) (the "Bonds") issued by RIVERSIDE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY (the "Issuer") pursuant to the Indenture. Subject to the terms and conditions herein, this Letter of Credit authorizes you to draw on us an amount not exceeding FOUR MILLION, TWO HUNDRED SIXTY-SEVEN THOUSAND, SIX HUNDRED SIXTY-ONE United States Dollars (US $4,267,661) (the "Stated Amount"), of which $4,200,000 shall be with respect to the principal of the Bonds, and $67,661 shall be with respect to 49 days' accrued interest on the Bonds at a rate of 12% per annum.

Subject to the other provisions of this Letter of Credit, you or any duly authorized successor Trustee may obtain the funds available under this Letter of Credit by presentment to us of your sight draft or drafts drawn on Security Pacific National Bank, Los Angeles, California. Each draft presented to us must be accompanied by your certification substantially in the form of one or more of the Annexes described below, as may be applicable to the type of drawing you are making. You must comply with all of the instructions in brackets in preparing each such certification.

1. Annex A (Periodic Interest Demand With Reinstatement Request). If you are demanding funds with respect to a scheduled interest payment on the Bonds (other than Company Bonds) in accordance with the Indenture, and such amount is to be reinstated immediately following the

drawing, your draft or drafts should be accompanied by your Annex A certification.

2. Annex B (Principal and Interest Demand with Reinstatement Request). If you demanding funds with respect to the payment of principal and interest in connection with a purchase of Bonds (other than Company Bonds) in accordance with Section 1302 of the indenture, and such amount is to be reinstated upon our being reimbursed for such drawing, your draft or drafts should be accompanied by your Annex B certification.

3. Annex C (Principal and Interest Demand Without Reinstatement Request). If you are demanding funds with respect to the payment of principal and interest on the Bonds (other than Company Bonds) in connection with a purchase of Bonds in accordance with Section 1301 the Indenture, or a partial redemption of Bonds in accordance with the Indenture, which amount is not to be reinstated following the drawing, your draft or drafts should be accompanied by your Annex C certification.

4. Annex D (Final Drawing). Any draft constituting your final drawing under-this Letter o Credit must be accompanied by your Annex D certification. Only one draft accompanied by an Annex D certification may be presented for payment against this Letter of Credit; upon any such presentation, no further draft may be drawn and presented hereunder.

Your sight draft accompanied by your Annex A, B, C, or D certification and presented in full compliance with this Letter of Credit at or before 10:00 a.m., Los Angeles time (hereinafter referred to as "Local Time"), on a Business Day (as defined below), will be honored by our payment to you or your designee of the draft amount in immediately available funds, no later than 10:00 a.m., Local Time, on the next following Business Day. If we receive your draft and the required annex(es) in full compliance with the terms and conditions of this Letter of Credit after 10:00 a.m., Local Time, on a Business Day, we shall honor your demand for payment no later than 10:00 a.m., Local Time, on the second following Business Day.

Each draft presented for payment against this Letter of Credit and each accompanying certification must be dated the date of its presentation to us, and may be presented only on a Business Day. As used in this Letter of Credit, "Business Day" shall mean any day other than a Saturday, Sunday, legal holiday or a day on which banking institutions in Los Angeles, California, or in the city in which the principal corporate trust office of the Trustee is located are authorized or required to close. Drafts must be marked conspicuously "Drawn under Security Pacific National Bank Irrevocable Direct Draw Letter of Credit No. 100-0092." The certifications you are required to submit to us along with your draft or drafts should be prepared either (i) in the form of a letter on your letterhead signed by your officer or (ii) in the form of a facsimile copy of such a letter sent by one of your officers to the following number, as applicable:

Telecopier No. (213) 613-7084

Other than the foregoing provisions for communication by facsimile copy, communications with respect to this Letter of Credit shall be in writing and shall be addressed to us at Security Pacific National Bank, 333 South Hope Street, Los Angeles, California 90071, Attention: World Corporate Group, Corporate Note Department (H31-5), specifically referring to the number and date of this Letter of Credit.

If a demand for payment made by you hereunder does not, in any instance, conform to the terms and conditions of this Letter of Credit, we shall give you prompt notice that the purported negotiation was not effected in accordance with this Letter of Credit, stating the reasons therefor and that we are holding any documents at your disposal or are returning them to you, as we may elect. Upon being notified that the purported negotiation was not effected in conformity with this Letter of Credit, you may attempt to correct any such nonconforming demand for payment if, and to the extent that, you as Trustee are entitled (without regard to the provisions of this sentence) and able to do so.

Drafts honored by us under this Letter of Credit shall not exceed the Stated Amount available to you under this Letter of Credit, as such amount may vary from time to time. Each draft honored by us will reduce the Stated Amount available under this Letter of Credit. However, in the case of a draft or drafts accompanied by your certification substantially in the form of Annex A and presented in full compliance with the terms and conditions of this Letter of Credit, the Stated Amount of this Letter of Credit shall, on the date each draft is honored by us, automatically be reinstated by us, by an amount equal to the amount of that drawing; after such reinstatement, the Stated Amount of this Letter of Credit shall be the same as it was immediately prior to such drawing. Upon our being reimbursed for the amount of any draft accompanied by your certification substantially in the form of Annex B hereto honored by us, the Stated Amount of this Letter of Credit shall be reinstated by us, by an amount equal to the amount of that drawing; after such reinstatement, the Stated Amount of the Letter of Credit shall be the same as it was immediately prior to such drawing.

By paying you an amount demanded in accordance with this Letter of Credit, we make no representation as to the correctness of the amount demanded or your calculations and representations on the certificates required of you by this Letter of Credit.

This Letter of Credit shall expire on the earliest of (i) September 15, 1995, (ii) when any draft accompanied by your certification substantially in the form of Annex D to this Letter of Credit is honored and paid by us, (iii) the first Business Day immediately following the conversion of the Bonds to a fixed interest rate, or (iv) the day on which this Letter of Credit is surrendered by the Trustee to the Bank, accompanied by a certificate substantially in the form of Annex F to this Letter of Credit.

This Letter of Credit shall be governed by and construed in accordance with the Uniform Customs and Practice for Documentary Credits (1983 Revisions), International Chamber of Commerce Publication 400, and, to the extent not inconsistent therewith, the laws of the State of California.

This Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein (including, without limitation, the Bonds), except only the Annexes and drafts referred to herein; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except for such Annexes and drafts.

Anything to the contrary in Article 45 of the Uniform Customs and Practices notwithstanding, this Letter of Credit is intended to remain in full force and effect until it expires in accordance with its terms. Any failure by you or any successor Trustee to draw upon this Letter of Credit with respect to a scheduled interest payment on the Bonds in accordance with the terms and conditions of the Indenture shall not cause this Letter of Credit to be unavailable for any future drawing in accordance with the terms and conditions of the Indenture.

Anything to the contrary in Article 54 of the Uniform Customs and Practices notwithstanding, this Letter of Credit is transferable any number of times, but only in the amount of the full unutilized balance hereof and not in part. Transfer may be made to any person or entity whom you or any transferee hereunder designate as a successor trustee under the Indenture. Transfer of the available drawing under this Letter of Credit to such transferee shall be effected by the presentation to us of this Letter of Credit accompanied by a request designating your successor in the form of Annex E (Transfer Demand) attached hereto, with the signature of the appropriate officer signing on your behalf guaranteed by another one of your officers, and the payment of One Thousand Dollars ($1,000) as a transfer fee. Upon presentation and payment, we shall forthwith effect a transfer of this Letter of Credit to your designated transferee.

Very truly yours,

SECURITY PACIFIC NATIONAL BANK

Annex A (Periodic Interest Demand
With Reinstatement Request

SECURITY PACIFIC NATIONAL BANK

Irrevocable Letter of Credit No. 100-00092

SECURITY PACIFIC NATIONAL BANK
333 SOUTH HOPE STREET
LOS ANGELES, CALIFORNIA 90071
ATTENTION: WORLD CORPORATE GROUP
CORPORATE NOTE DEPARTMENT (H31-5)

Re: Drawing for Interest Due on
Scheduled Interest Payment Date

Ladies and Gentlemen:

We refer to your Letter of Credit No. 100-0092 (the "Letter of Credit"). Any term which is defined in the Letter of Credit shall have the same meaning when used herein. The undersigned, a duly authorized officer of ______________ [Insert name of Trustee] (the "Trustee" or "we"), hereby certifies to you that:

1. We are the Trustee or a successor Trustee under the Indenture for the holders of $4,200,000 VARIABLE RATE DEMAND INDUSTRIAL DEVELOPMENT REVENUE BONDS (CALAVO GROWERS OF CALIFORNIA PROJECT) (the "Bonds"), issued by RIVERSIDE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY (the "Issuer").

2. We hereby make demand under the Letter of Credit, by our presentment of the sight draft accompanying this Certificate, for payment of $__________, representing accrued and unpaid interest to be paid on the Bonds (other than Company Bonds) with respect to a scheduled interest payment.

3. The amount of the draft accompanying this Certificate does not exceed the amount available on the date hereof to be drawn under the Letter of Credit in respect of interest accrued on the Bonds and was computed in accordance with the terms and conditions of the Bonds and the Indenture. The date specified in paragraph 4 below is the date upon which the payment hereby demanded is required to be made under the terms and conditions of the Bonds and the Indenture. The Letter of Credit has not terminated prior to the time of the delivery of this Certificate and the accompanying draft.

4. We request that the payment hereby demanded be made no later than 10:00 a.m., Los Angeles time ("Local Time"), on ___________________[if this certificate and an accompanying draft are delivered at or before 10:00 a.m., Local Time, then insert a date which is a Business Day and is no earlier than the next Business Day following the date those documents are delivered; if this certificate and an accompanying draft are delivered after 10:00 a.m., Local Time, insert a date which is a Business Day and is no earlier than the second Business Day following the date those documents are delivered]. Unless otherwise agreed to in a writing signed by you and us, please [deposit/wire transfer] the amount hereby demanded to our account number __________________ [insert account number] with ____ [insert name and address of banking institution to receive funds].

5. Please reinstate the Letter of Credit by the amount specified in paragraph 2 of this Certificate; following such reinstatement, the Stated Amount shall be the same as it was immediately prior to this drawing.

IN WITNESS WHEREOF, we have executed and delivered this Certificate as Trustee as of the _________ day of __________, 19___.

Very truly yours,

[Insert name of Trustee]
as Trustee

By:____________________________________
[Insert name and title
of authorized officer]

Annex A

Annex B (Principal and Interest Demand
With Reinstatement Request

SECURITY PACIFIC NATIONAL BANK

Irrevocable Letter of Credit No. 100-0092

SECURITY PACIFIC NATIONAL BANK
333 SOUTH HOPE STREET
LOS ANGELES, CALIFORNIA 90071
ATTENTION: WORLD CORPORATE GROUP
CORPORATE NOTE DEPARTMENT (H31-5)

Re: Drawing for Purchase of Bonds

Ladies and Gentlemen:

We refer to your Letter of Credit No. 100-0092 (the "Letter of Credit"). Any term which is defined in the Letter of Credit shall have the same meaning when used herein. The undersigned, a duly authorized officer of _____________ [Insert name of Trustee] (the "Trustee" or "we"), hereby certifies to you that:

1. We are the Trustee or a successor Trustee under the Indenture for the holders of $4,200,000 VARIABLE RATE DEMAND INDUSTRIAL DEVELOPMENT REVENUE BONDS (CALAVO GROWERS OF CALIFORNIA PROJECT) (the "Bonds"), issued by RIVERSIDE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY (the "Issuer").

2. We hereby make demand under the Letter of Credit, by our presentment of the sight draft accompanying this Certificate, for payment of $__________ of which $___________ shall be with respect to the principal of certain of the Bonds other than Company Bonds) and $_____________ shall be with respect to interest, if any, to be paid on the Bonds other than Company Bonds), which total amount represents the purchase price of certain of the Bonds, including any interest accrued thereon through the date of the purchase of such Bonds.

3. The amount of the draft accompanying this Certificate does not exceed the amount available on the date hereof to be drawn under the Letter of Credit and was computed in accordance with the terms and conditions of the Bonds and the Indenture. The date specified in paragraph 4 below is the date upon which the payment hereby demanded is required to be made under the terms and conditions of the Bonds and the Indenture. This Letter of Credit has not terminated prior to the time of delivery of this Certificate and the accompanying draft.

4. We request that the payment hereby demanded be made no later than 10:00 a.m., Los Angeles time ("Local Time"), on __________________ [if this certificate and accompanying draft are presented at or before 10:00 a.m., Local Time, on a Business Day, then insert a date which is a Business Day and is no earlier than the next Business Day following the date those documents are delivered; if this certificate and an accompanying draft are delivered after 10:00 a.m., Local Time, on a Business Day, then insert a date which is a Business Day and which is no earlier than the second Business Day following the date those documents are delivered]. Unless otherwise agreed to in a writing signed by you and us, please [deposit/wire transfer] the amount hereby demanded to our account number ____________________ [insert account number] with ____ [insert name and address of banking institution to receive funds] .

5. Upon your being reimbursed in the amount specified in paragraph 2 of this Certificate, please reinstate the Letter of Credit by the amount specified in paragraph 2 of this Certificate; following such reinstatement, the Stated Amount shall be the same as it was immediately prior to this drawing.

IN WITNESS WHEREOF, we have executed and delivered this Certificate as Trustee as of the _______ day of __________, 19____.

Very truly yours,

[Insert name of Trustee]
as Trustee

By:____________________________________
[Insert name and title
of authorized officer]

Annex C (Principal and Interest Demand
Without Reinstatement Request)

SECURITY PACIFIC NATIONAL BANK

Irrevocable Letter of Credit No. 1 00-0092

SECURITY PACIFIC NATIONAL BANK
333 SOUTH HOPE STREET
LOS ANGELES, CALIFORNIA 90071
ATTENTION: WORLD CORPORATE GROUP
CORPORATE NOTE DEPARTMENT (H31-5)

Re: Drawing for Partial Redemption of the Bonds or
Purchase of the Bonds Upon Conversion

Ladies and Gentlemen:

We refer to your Letter of Credit No. 100-0092 (the "Letter of Credit"). Any term which is defined in the Letter of Credit shall have the same meaning when used herein. The undersigned, a duly authorized officer of ________________ [Insert name of Trustee] (the "Trustee" or "we"), hereby certifies to you that:

1. We are the Trustee or a successor Trustee under the Indenture for the holders of $4,200,000 VARIABLE RATE DEMAND INDUSTRIAL DEVELOPMENT REVENUE BONDS (CALAVO GROWERS OF CALIFORNIA PROJECT) (the "Bonds"), issued by RIVERSIDE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY (the "Issuer").

2. We hereby make demand under the Letter of Credit for payment of $____________ , of which $___________ shall be with respect to the principal of certain of the Bonds (other than Company Bonds), and $___________ shall be with respect to interest, if any, to be paid on the Bonds (other than Company Bonds), which total amount is due either with respect to a purchase of the Bonds in accordance with Section 1301 of the Indenture or with respect to a partial redemption of the Bonds pursuant to the Indenture.

3. The amount of the draft accompanying this Certificate does not exceed the amount available on the date hereof to be drawn under the Letter of Credit and was computed in accordance with the terms and conditions of the Bonds and the Indenture. The date specified in paragraph 4 below is the date upon which the payment hereby demanded is required to be made under the terms and conditions of the Bonds and the Indenture. The Letter of Credit has not terminated prior to the time of the delivery of this Certificate and the accompanying draft.

4. We request that the payment hereby demanded be made no later than 10:00 a.m., Los Angeles time ("Local Time"), on ______________ [if this certificate and an accompanying draft are delivered at or before 10:00 a.m., Local Time, insert a date which is a Business Day and is no earlier than the next Business Day following the date those documents are delivered; if this certificate and an accompanying draft are delivered after 10:00 a.m., Local Time, insert a date which is a Business Day and is no earlier than the second Business Day following the date those documents are delivered]. Unless otherwise agreed to in a writing signed by you and us, please [deposit/wire transfer] the amount hereby demanded to our account number __________________ [insert account number] with ____ [insert name and address of banking institution to receive funds].

5. Upon application of the amount with respect to principal of the Bonds set forth in paragraph 2 of this Certificate, there shall be outstanding $_____________ principal amount of the Bonds.

IN WITNESS WHEREOF, we have executed and delivered this Certificate as Trustee as of the _____ day of ___________, 19___.

Very truly yours,

[Insert name of Trustee]
as Trustee

By:____________________________________
[Insert name and title
of authorized officer]

Annex D (Final Drawing)

SECURITY PACIFIC NATIONAL BANK

Irrevocable Letter of Credit No. 100-0092

SECURITY PACIFIC NATIONAL BANK
333 SOUTH HOPE STREET
LOS ANGELES, CALIFORNIA 90071
ATTENTION: WORLD CORPORATE GROUP
CORPORATE NOTE DEPARTMENT (H31-5)

Re: Final Drawing and Termination

Ladies and Gentlemen:

We refer to your Letter of Credit No. 100-0092 (the "Letter of Credit"). Any term which is defined in the Letter of Credit shall have the same meaning when used herein. The undersigned, a duly authorized officer of _________________ [Insert name of Trustee] (the "Trustee" or "we"), hereby certifies to you that:

1. We are the Trustee or a successor Trustee under the Indenture for the holders of $4,200,000 VARIABLE RATE DEMAND INDUSTRIAL DEVELOPMENT REVENUE BONDS (CALAVO GROWERS OF CALIFORNIA PROJECT) (the "Bonds"), issued by RIVERSIDE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY (the "Issuer").

2. We hereby make demand for payment of $_____________, of which $____________ shall be with respect to the principal of the Bonds (other than Company Bonds), and $______________ shall be with respect to interest, if any, to be paid on the Bonds (other than Company Bonds).

3. This drawing is being made as a result of the maturity or redemption of all outstanding Bonds in accordance with the terms and conditions of the Bonds and the Indenture.

4. The amount of the draft accompanying this Certificate does not exceed the amount available on the date hereof to be drawn under the Letter of Credit and was computed in accordance with the terms and conditions of the Bonds and the Indenture. The date specified in paragraph 5 below is the date upon which the payment hereby demanded is required to be made under the terms and conditions of the Bonds and the Indenture. The Letter of Credit has not terminated prior to the delivery of this Certificate and the accompanying draft.

5. The sight draft accompanying this Certificate constitutes the final drawing under the Letter of Credit and upon payment of such draft, the Letter of Credit is cancelled. We request that the payment hereby demanded be made no later than 10:00 a.m., Los Angeles time ("Local Time"), on ___________________ [if this certificate and an accompanying draft are delivered at or before 10:00 a.m., Local Time, insert a date which is a Business Day and which is no earlier than the next Business Day following the date those documents are delivered; if this certificate and an accompanying draft are delivered after 10:00 a.m., Local Time, insert a date which is a Business Day and is no earlier than the second Business Day following the date these documents are delivered]. Please [deposit/wire transfer] the amount hereby demanded to our account number ___________________ [insert account number] with ___________________________ [insert name and address of banking institution to receive e funds].

IN WITNESS WHEREOF, we have executed and delivered this Certificate as Trustee as of the _____ day of ________, 19__.

Very truly yours,

[Insert name of Trustee]
as Trustee

By:____________________________________
[Insert name and title
of authorized officer]

Annex D

Annex E (Transfer Demand)

SECURITY PACIFIC NATIONAL BANK

Irrevocable Letter of Credit No. 100-0092

SECURITY PACIFIC NATIONAL BANK
333 SOUTH HOPE STREET
LOS ANGELES, CALIFORNIA 90071
ATTENTION: WORLD CORPORATE GROUP
CORPORATE NOTE DEPARTMENT (H31-5)

Re: Instruction to Transfer
Letter of Credit No. 100-0092

Ladies and Gentlemen:

For value received, the undersigned beneficiary (the "Transferor") hereby irrevocably transfers to:

[Name of Transferee and Address]

(the "Transferee") all rights of the Transferor with respect to the above-referenced Letter of Credit, including the right to draw under said Letter of Credit in the amount of the full unutilized balance thereof. Said Transferee has succeeded the Transferor as Trustee under that certain Indenture of Trust dated as of SEPTEMBER 1, 1985, by and between RIVERSIDE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY and First Interstate Bank of California, as Trustee (the "Indenture") with respect to the $4,200,000 VARIABLE RATE DEMAND INDUSTRIAL DEVELOPMENT REVENUE BONDS (CALAVO GROWERS OF CALIFORNIA PROJECT), issued by RIVERSIDE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY.

By virtue of this transfer, the Transferee shall have the sole rights as beneficiary of said Letter of Credit, including sole rights relating to any past or future amendments thereof, whether increases or extensions or otherwise. All amendments are to be advised directly to the Transferee without necessity of any consent of or notice to the Transferor.

By its signature below, the Transferee acknowledges that it has duly succeeded the Transferor as Trustee under the Indenture, and agrees to be bound by the terms of the Indenture as if it were the original Trustee thereunder.

The Letter of Credit is returned herewith, and we ask you to endorse the transfer on the reverse thereof and to forward it directly to the Transferee with your customary notice of transfer. Also, please find enclosed our payment of $1,000 as a transfer fee in accordance with the Letter of Credit.

Very truly yours,

[Insert name of Transferor]

as Trustee

By:________________________________
[Insert name and title
of authorized officer]

SIGNATURE OF THE ABOVE PARTY,
DULY AUTHORIZED TO ACT ON BEHALF
OF (insert name of Trustee],
AUTHENTICATED BY:

____
Name and Title]

Acknowledged by
[insert name of Transferee]
as Transferee and successor Trustee

By:________________________________
[Insert name and title
of authorized officer]

STATE OF ________________________)
) ss.
COUNTY OF _______________________)

On [insert date] before me, the undersigned, a Notary Public in and for said State, personally appeared [insert name], known to me to be the [insert title] and [insert name], known to me to be the [insert title] of the corporation that executed the within instrument, on behalf of the corporation therein named, and acknowledged to me that such corporation executed the within instrument pursuant to its bylaws or a resolution of its board of directors.

WITNESS my hand and official seal.

[SEAL]

____
[Notary Public's Signature]

Acknowledged:

Transferee

By:_____________________________________
[Name and title]

Annex F (Surrender Certificate)

SECURITY PACIFIC NATIONAL BANK

Irrevocable Letter of Credit No. 100-0092

SECURITY PACIFIC NATIONAL BANK
333 SOUTH HOPE STREET
LOS ANGELES, CALIFORNIA 90071
ATTENTION: WORLD CORPORATE GROUP
CORPORATE NOTE DEPARTMENT (H31-5)

Ladies and Gentlemen:

We refer to your Letter of Credit No. 100-0092 (the "Letter of Credit"). Any term which is defined in the Letter of Credit shall have the same meaning when used herein. The undersigned, a duly authorized officer of [insert name of Trustee] (the "Trustee" or "We"), hereby certifies to you that:

1. We are the Trustee or a successor trustee under the Indenture for the holders of the $4,200,000 VARIABLE RATE DEMAND INDUSTRIAL DEVELOPMENT REVENUE BONDS (CALAVO GROWERS OF CALIFORNIA PROJECT) (the "Bonds"), issued by RIVERSIDE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY.

2. We hereby surrender the attached Letter of Credit to you.

3. The Letter of Credit is hereby terminated in accordance with its terms.

4. No payment is demanded of you in connection with this surrender of the Letter of Credit.

IN WITNESS WHEREOF, we have executed and delivered this certificate as Trustee as of the _____ day of ________, 19__.

Very truly yours,

[Insert name of Trustee]
as Trustee

By:____________________________________
[Insert name and title
of authorized officer]

EXHIBIT B

TO: SECURITY PACIFIC NATIONAL BANK [LOGO]
INTERNATIONAL BANKING GROUP

LETTER OF CREDIT
APPLICATION AND AGREEMENT

FOR BANK USE ONLY	
UC NO.	CUSTOMER I.D. NO.
REVIEWED BY I.B.G.	

Date September 5, 1985

Please issue an irrevocable Standby Letter Of Credit and advise the beneficiary by:

[ ] AIRMAIL (AML) [X] MAIL (AML) [ ] CABLE (CAB)

BENEFICIARY	APPLICANT
First Interstate Bank of California Corporate Trust Department 707 Wilshire Boulevard Los Angeles, California 90017	Calavo Growers of California, a California corporation 4833 Everett Avenue Los Angeles, California 90058

AMOUNT	CURRENCY	EXPIRY DATE
$4,267,661.00	U.S. Dollars	See Attached Letter of Credit

Available by drafts drawn on Security Pacific National Bank at sight when accompanied by the following documentation:

BENEFICIARY'S SIGNED CERTIFICATION STATING THAT:

SEE ATTACHED LETTER OF CREDIT

SPECIAL INSTRUCTIONS: Issue the Letter of Credit in the form attached hereto. This Letter of Credit application and Agreement is governed by the terms and conditions of the Reimbursement Agreement by and between the undersigned and Security Pacific National Bank, dated as of September 1, 1985.

This letter of credit expires at Security Pacific National Bank's issuing office on the expiry date indicated above.
This Credit is subject to the Uniforms Customs and Practice for Documentary Credits of the International Chamber of Commerce, in force.

BANK USE ONLY

Extension of the credit under customer's liability has been approved by an authorized lending officer of SECURITY PACIFIC NATIONAL BANK		We, and each of us, agree that the terms and conditions set forth on this and the reverse hereof are hereby a part of this application and are accepted and agreed to by us.	
OFFICE NAME Corporate Banking	NO. FEE 100 1% p.a.	FIRM NAME Calavo Growers of California	
DEBIT DRAWINGS TO - OFFICE NAME Corporate Note Dept.	ACCOUNT NO. 100-099488	AUTHORIZED SIGNATURE /s/ Egidio Carbone	Vice President, Finance
APPROVING OFFICER'S SIGNATURE AND TITLE /s/ [Illegible] AVP	OFFICER'S NO. 838	DIRECT INQUIRIES TO Gene Carbone	TELEPHONE NO. (213) 587-429[illegible]

[BOTTOM OF FORM MISSING AND THEREFORE ILLEGIBLE]

ADDENDUM TO STANDBY LETTER OF CREDIT APPLICATION

AND SECURITY AGREEMENT

This Addendum is to that SECURITY PACIFIC NATIONAL BANK ("Bank") Standby Letter of Credit Application and Agreement ("Application") executed by the undersigned on September 5, 1985 in relation to a Letter of Credit in the amount of $4,267,661.00 in favor of First Interstate Bank of California

The undersigned hereby agrees that the following is made a part of the Application and their terms and conditions set forth below are accepted and agreed to by the undersigned:

> "12. We hereby agree to pay you from time to time on demand a premium calculated by you as being: (A) the amount of Federal Deposit Insurance Corporation (FDIC) premium that you would have to pay on or in any way connected with the Credit or the Application on the assumption that the same are subject to FDIC insurance, and (B) the amount of reserves relating to or in any way connected with the Credit or the Application which you conclude are or may be required by the Board of Governors of the Federal Reserve System to be imposed."

Any terms defined in the Application and not defined herein shall have the same meaning in the Application.

Calavo Growers, of California

Firm Name

/s/ Egidio Carbone 8/22/85

Authorized Signature(s)

Vice President - Finance

Title

EXHIBIT C

CALAVO GROWERS OF CALIFORNIA
AUTHORIZED REPRESENTATIVE CERTIFICATE

CALAVO GROWERS OF CALIFORNIA, a California corporation (the "Company"), hereby (a) authorizes each person named below to act for all purposes on Company's behalf, as the Authorized Representative of the Company, under and pursuant to that certain Reimbursement Agreement, dated as of September 1, 1985, between Security Pacific National Bank, a national banking association (the "Bank"), and the Company (the "Reimbursement Agreement"); (b) agrees that it shall be bound by any and all actions taken and any and all documents executed by any of such persons in connection with such Reimbursement Agreement; and (c) certifies that the title and signature appearing beside each person's name below is that person's true and correct title and signature.

Name	Title	Signature
Scott H. Runge	Treasurer	/s/ SCOTT H. RUNGE
Egidio Carbone	Vice President	/s/ EGIDIO CARBONE
David Friestadt	President	/s/ DAVID FRIESTADT

This Authorization shall remain in effect until the Company notifies the Bank, in writing, of any change, provided that the designation of any other person or persons as Authorized Representatives of the Company for purposes of said Reimbursement Agreement shall be subject to the Bank's written approval.

Dated: September 5, 1985

"Company":

CALAVO GROWERS OF CALIFORNIA

By: /s/ EGIDIO CARBONE

EXHIBIT D
DESCRIPTION OF LAND

All that real property situated in the County of Riverside, Sate of California, more particularly described as follows:

PARCEL 1:

Parcels 11 and 16 of Parcel Map 12549 in the County of Riverside, State of California, as per map recorded in Book 74 Pages 84 through 89 of Parcel Maps, in the Office of the County Recorder of said County.

PARCEL 2:

An easement for roadway and public utility purposes, along with slope easements extending outside of this easement at the ratio of two (2) horizontal to one (1) vertical and such drainage easements as necessary to accommodate the ultimate roadway over that portion of Parcel 17 of Parcel Map 12549 in the County of Riverside, State of California, as per map recorded in Book 74 Pages 84 through 89 of Parcel Maps, in the Office of the County Recorder of said County lying Easterly of the following described line and its Northerly prolongation:

Beginning at the Southeasterly corner of said Parcel 17, thence along the Southerly line, North 85 degrees 16'07" West 66.24 feet to the true point of beginning; thence, North 06 degrees 56'07" West 504.44 feet to a point of the boundary of Parcel 17, being South 37 degrees 04'13" West 0.50 feet from the Northeasterly terminus of the course shown as; "North 37 degrees 04'13" East 105.16 feet" on the map of said Parcel.

EXHIBIT E

Consents are required pursuant to the following loan agreements and have been obtained:

1. Loan Agreement dated as of June 21, 1985 between the Company and Sacramento Bank for Cooperatives;

2. Loan Agreement dated April 3, 1985 between the Company and Bank of America National Trust and Savings Association.

EXHIBIT F

FORM OF OPINION OF COUNSEL TO THE COMPANY
PURSUANT TO SECTION 3.1 OF REIMBURSEMENT AGREEMENT

[Date of Issuance]

Riverside County Industrial
Development Authority
3470 Twelfth Street
Riverside, California 92501

Security Pacific National Bank
333 South Hope Street
Los Angeles, California 90071

Security Pacific Capital Markets Group
(Security Pacific National Bank)
333 South Hope Street
Los Angeles, California 90071

Re: $4,200,000 RIVERSIDE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY VARIABLE RATE DEMAND INDUSTRIAL DEVELOPMENT REVENUE BONDS (CALAVO GROWERS OF CALIFORNIA PROJECT)

Ladies and Gentlemen:

This opinion is being delivered to you in connection with the issuance of the above-referenced bonds (the "Bonds") by RIVERSIDE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY (the "Issuer") pursuant to an Indenture of Trust dated as of September 1, 1985 (the "Indenture") by and between the Issuer and First Interstate Bank of California, as trustee (the "Trustee"), and a Loan Agreement of even date therewith (the "Loan Agreement") by and between the Issuer and CALAVO GROWERS OF CALIFORNIA, a California corporation (the "Company"). Pursuant to the Loan Agreement, the proceeds of the sale of the Bonds are being loaned by the Issuer to the Company to finance the construction of a packing house facility (the "Project") in Riverside County, California. The Bonds are secured by a letter of credit issued by Security Pacific National Bank (the "Bank") to the Trustee, for the account of the Company, in the initial stated amount of $____________ (the "Letter of Credit"), pursuant to that certain Reimbursement Agreement dated as of September 1, 1985 (the "Reimbursement Agreement") by and between the Bank and the Company. This opinion is delivered pursuant to Section ___ of the Indenture and Section 3.1 of the Reimbursement Agreement.

We have been for many years (and currently are) general counsel for the Company, and we have acted as counsel for the Company in connection with the transactions contemplated by the Loan Agreement and the Reimbursement Agreement.

I. EXAMINATION OF DOCUMENTS.

Our opinion expressed herein is based on our examination of and reliance upon:

A. Certified copies of the Articles of Incorporation and the Bylaws of the Company as now in effect;

B. A Certificate of Status of Domestic Corporation dated August 12, 1985, from the Secretary of State of California;

C. [References to loan agreements with other lenders];

D. A fully executed counterpart or original of the following documents, each of which is dated as of September 1, 1985 (collectively, the "Company Documents"):

1. The Loan Agreement executed by the Issuer and the Company;

2. The First Deed of Trust and Assignment of Rents (Construction Trust Deed) (the "First Deed of Trust") executed by the Company as trustor to Ticor Title Insurance Company of California (the "Title Company") as trustee, naming the Issuer as beneficiary and describing therein certain land and improvements (collectively, the "Real Property");

3. The First Security Agreement (the "First Security Agreement") executed by the Company as debtor, naming the Issuer as secured party and describing therein certain personal property and fixtures (the "Personal Property");

4. Duplicate originals of the Form UCC-1 Financing Statements (the "First Financing Statements") executed by the Company as debtor, naming the Issuer as secured party and describing therein the Personal Property;

5. The Reimbursement Agreement executed by the Bank and the Company;

6. The Second Deed of Trust and Assignment of Rents (Construction Trust Deed) (the "Second Deed of Trust") executed by the Company as trustor to the Title Company as trustee, naming the Bank as beneficiary and describing therein the Real Property;

7. The Second Security Agreement (the "Second Security Agreement") executed by the Company as debtor, naming the Bank as secured party and describing therein the Personal Property;

8. Duplicate originals of the Form UCC-1 Financing Statements (the "Second Financing statements") executed by the Company as debtor, naming the Bank as secured party and describing therein the Personal Property (collectively, together with the First Deed of Trust, the First Security Agreement, the First Financing Statements, the Second Dead of Trust and the Second Security Agreement, the "Security Documents");

9. The Placement Agent Agreement executed by the Issuer, the Company and Security Pacific Capital Markets Group (Security Pacific National Bank) as Placement Agent; and

10. The Remarketing Agreement executed by the Issuer, the Company and Security Pacific Capital Markets Group (Security Pacific National Bank) as Remarketing Agent;

E. A fully executed counterpart or original of the following documents, each of which is dated as of September 1, 1985:

1. The Indenture executed by the Issuer and the Trustee;

2. The Memorandum of Assignment of First Deed of Trust and Assignment of Rents, executed by the Issuer in favor of the Trustee with respect to the Issuer's interest as beneficiary under the First Deed of Trust; and

3. The Intercreditor Agreement executed by the Issuer, the Trustee and the Bank and consented to by the Company; and

F. The information contained in the Placement Memorandum dated ______________________ (the "Placement Memorandum") under the headings "The Project" and "The Company" (collectively, the "Designated Headings").

II. OPINIONS.

Based on our examination of and reliance upon the foregoing documents, certificates and instruments, and such other documents, corporate records and instruments as we have deemed necessary for purposes of this opinion, and subject to the assumptions, exceptions and qualifications set forth below, we are of the opinion that:

1. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of California, with all necessary corporate power and authority to conduct its business as now conducted, to own the Real Property,

to construct the Project, to incur indebtedness as contemplated by the Loan Agreement and the Reimbursement Agreement and to execute, deliver and perform its obligations under the company documents.

2. The Company Documents have been duly authorized by all necessary corporate action, have been duly executed and delivered by the Company and constitute legally valid and enforceable obligations of the Company, enforceable against the Company in accordance with their respective terms.

3. The execution, delivery and performance by the Company of the Company Documents do not and will not violate (i) any provisions of the Company's Articles of Incorporation or Bylaws, (ii) any existing law, rule, regulation, order, writ, injunction, decree or judgment known by us to be applicable to the Company or (iii) any material contractual restriction known by us to be applicable to the Company. Nor to our knowledge do they result in the creation of any lien, charge or encumbrance upon any of the Company's properties, except as contemplated by the Company Documents, or in the acceleration of any indebtedness or contractual obligation of Company.

4. To our knowledge, there are no actions, suits, proceedings, inquiries or investigations by or before any court, governmental agency, public board or body pending or threatened against the Company (i) which affect or seek to prohibit, restrain or enjoin the issuance, placement or delivery of the Bonds or the execution and delivery of any of the Company Documents or (ii) which affect or question the validity or enforceability of any of the Company Documents, the tax-exempt status of the Bonds or the Company's power to perform its obligations under the Company Documents or to acquire, own, construct, equip or operate the Project.

5. To the extent that the security interests in the Personal Property granted by the First and Second Security Agreements to the secured parties thereunder may be perfected by filing financing statements pursuant to the California Uniform Commercial Code (the "California Commercial Code"), the security interests created by said agreements constitute perfected security interests under said Code; subject, however, to the limitations set forth in Section 9306 of said Code and the requirement that continuation statements be filed in accordance with Section 9403 of said Code. Additional filings may also be necessary if the Company changes its name or the jurisdiction in which its chief executive office or any of the Personal Property is located. We call your attention to, and the opinions expressed in this paragraph are limited by, the fact that buyers or purchasers of the Personal Property may, in certain circumstances, acquire it free of the secured parties' interests therein. We also note that the law is not well developed in California with respect to the

specificity of description necessary to create a valid security interest in personal property. To ensure beyond any doubt that a sufficient description has been provided, the personal property intended to be subject to the security interest should be identified by serial or identification numbers or by some other method of specific identification. However, the more general description of the personal property used in the First and Second Security Agreements and in the First and Second Financing Statements is consistent with that commonly used by major lenders in California and, although the matter is not free from doubt, should be held by a California court to be sufficient to create a security interest in the personal property described therein.

6. To our knowledge, as of the date of the Placement Memorandum and as of the date hereof, the information contained in the Placement Memorandum under the Designated Headings does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect.

III. ASSUMPTIONS, EXCEPTIONS AND QUALIFICATIONS.

Notwithstanding anything to the contrary contained herein, our opinion expressed herein is subject to the qualifications set forth in paragraph 5 above and to the following assumptions, exceptions and qualifications:

A. Our opinion is limited to the laws of the United States of America and the laws of the State of California and its subdivisions, and we assume no responsibility as to the applicability or the effect of the laws of any other jurisdiction.

B. Where our opinions set forth above are stated "to our knowledge" or limited to matters "known by us," we have made no independent investigation of factual matters, and the opinions expressed are therefore meant to indicate only that in our role as general counsel to the Company, we are not aware of any information inconsistent with such opinions.

C. We have assumed the genuineness of all signatures (other than those of the Company on the Company Documents) and the due authorization, execution, and delivery of the Company Documents by the parties thereto (other than the Company).

D. In addition to the other exceptions and limitations set forth herein, the opinions set forth in paragraph 2 above are subject to the exceptions that the enforcement of the Company Documents may be limited by:

1. Bankruptcy, moratorium, insolvency, reorganization or other laws or judicial decisions relating to or limiting the rights of creditors generally;

2. The application of general principles of equity, regardless of whether such enforcement is sought in a proceeding in equity or at law;

3. With respect to rights of indemnity, limitations imposed by laws, judicial decisions or principles of public policy;

4. With respect to remedies for defaults by the Company, compliance with, and limitations imposed by, requirements of state law including, but not limited to, California Code of Civil Procedure Sections 726 and 580d, California Civil Code Sections 2924 et seq. and California Commercial Code Sections 9501 et seq.; and

5. Limitations based on laws, judicial decisions or public policy limiting a person's right to waive the benefits of statutory provisions or common law rights.

We further advise you that a California court may not strictly enforce certain covenants contained in the Company Documents or allow acceleration of the maturity of the indebtedness secured by the Security Documents if it concludes that such enforcement or acceleration would not be reasonable under the then existing circumstances. We believe, however, that acceleration would be available, where permitted by the terms of the Company Documents, upon the occurrence of a material breach by the Company of a material covenant.

E. With respect to the opinions set forth in paragraph 5 above, we have assumed that:

1. The First and Second Financing Statements have been duly filed in the Office of the California Secretary of State and in the Official Records of Riverside County, California;

2. The Company has "rights in the Personal Property, as that term is used in Section 9204 of the California Commercial Code;

3. The Personal Property is and will remain located in the State of California; and

4. No part of the Personal Property is subject to the provisions of Sections 9103(2) or 9302(3) of the California Commercial Code.

We express no opinion as to the reasonableness of the foregoing assumptions or any other assumptions contained herein.

F. We neither express nor imply any opinion with respect to:

1. The title to, or the perfection or priority of any lien on, any of the Real Property;

2. The title to, or the priority of any security interest in, any of the Personal Property;

3. Usury laws;

4. The application or effect of the Securities Act of 1933, the Securities Exchange Act of 1934, the Trust Indenture Act of 1939 or state securities laws, each as now in effect; or

5. The tax-exempt status of the Bonds.

G. We neither express nor imply any opinion with respect to the validity or enforceability of any provision of any Company Document which:

1. Permits any person, in the event of delinquency or default, to increase the rate of interest or to collect a late charge;

2. Prohibits the Company from further encumbering or transferring the Real Property or the Personal Property;

3. Permits the acceleration of the indebtedness secured by any of the Security Documents in the event of any breach of any such provision against further encumbrances or transfer by the Company;

4. Provides that failure to exercise or delays in exercising rights or remedies will not operate as a waiver of such rights or remedies;

5. Purports to grant a security interest in any governmental permits, licenses, certificates or authorizations which are not assignable under applicable law; or

6. Permits the acceleration of the indebtedness secured by any of the Security Documents upon the invalidation of any provision in any of the Company Documents relating to any payment obligation of the Company or upon the imposition on any beneficiary under the First Deed of Trust or the Second

Deed of Trust of any future tax on the obligations secured thereby or the property described therein.

H. We neither express nor imply any opinion as to the availability or enforceability of the various self-help remedies provided in the Company Documents (including, without limitation any right of entry onto the Real Property, any right to take action on behalf of the Company or any right to act in the Company's name and stead in connection with condemnation proceedings, settlement of insurance claims or other legal proceedings) or as to the validity or enforceability of any provision in any of the Company Documents which constitutes a party thereto as the Company's attorney-in-fact.

I. Under California law, enforcement of any provision in any of the Company Documents may be subject to an implied covenant of good faith and fair dealing, and, in particular, such implied covenant may require that any party thereto not unreasonably withhold its consent whenever its consent may be required and that such party act fairly under any provisions thereof which entitle it to receive or apply in its discretion the proceeds of any insurance policy covering the Real or Personal Property or any condemnation award with respect thereto.

J. Enforcement of the assignment of rents provision in the First Deed of Trust or the Second Deed of Trust may require that the beneficiary thereunder first take possession of the Real Property, either by itself or through a court-appointed receiver (the appointment of which is subject to the discretion of the court and in any event may be granted only if the beneficiary can show waste or other impairment of its security). We neither express nor imply any opinion regarding the efficacy of the language in such provision which would exonerate the beneficiary from any responsibility or liability as a "mortgagee-in-possession" where the beneficiary does not itself take possession of the Real Property.

This opinion is solely for the benefit of, and may be relied upon only by, you and your respective successors-in-interest under the Company Documents; copies of this opinion may not be delivered to any other person without our prior written consent.

Very truly yours,

EXHIBIT G

REQUIREMENTS RE COMPANY LOAN DOCUMENTS
(Variable Rate Bonds)

The Loan Agreement and the Indenture shall all be consistent with the following requirements:

(a) Except when necessary, in the opinion of Bond Counsel, to preserve the exemption of the interest on the Bonds from federal income taxation, any amendment, modification, or termination of any of such documents shall require the prior written consent of the Bank;

(b) Upon delivery by the Bank to the Trustee of a written notice stating that an Event of Default has occurred under the Reimbursement Agreement and requesting that the Trustee redeem all of the Bonds, (i) all outstanding indebtedness of the Company under the Company Documents shall automatically become immediately due and payable, without presentment, demand, protest or notice of any kind to the Company or any other person, and (ii) the Trustee shall immediately call the Bonds for redemption; the Trustee shall mail such redemption notice to the Bondholders within two Business Days after receipt of such notice from the Bank, and such redemption notice shall fix a date for redemption not more than 10 days from the date the redemption notice is mailed;

(c) Concurrently with the giving or receipt by the Issuer, the Trustee, or the Company of any notice, certificate or other communication in connection with the Indenture or the Loan Agreement the Bank shall be sent a copy of such notice, certificate or other communication;

(d) Any notice given to the Trustee of a voluntary prepayment on the Company Loan other than from excess monies on deposit in the Construction Fund, in order to be effective, shall be accompanied by either (i) Company's funds in the amount to be prepaid, or (ii) the Bank's written consent to such voluntary prepayment;

(e) Prior to the Completion Date (as defined in the Loan Agreement), the Trustee shall disburse to the Bank, from the Company Loan Fund, immediately upon receipt by the Trustee of the proceeds of each draw upon the Letter of Credit representing a payment of interest on the Company Loan, an amount equal to the amount of such draw; and

(f) The rights of the Issuer or the Trustee to accelerate or require mandatory prepayment of the Company Loan and the Bonds shall be subject to the applicable provisions of the Intercreditor Agreement.

EXHIBIT H

ADDITIONAL ITEMS TO BE DELIVERED TO THE BANK

The Bank shall have received and approved the following items (which shall be certified copies of executed documents if the Bank so requests:

(1) An appraisal by the Bank's appraiser and/or an M.A.I. appraiser approved by the Bank showing the value of the Project, as completed in accordance with the Project Plans;

(2) The Approved Budget;

(3) A certificate from the project Architect stating that the Project Plans, and, upon completion of the Project, the Project and the anticipated use and occupancy thereof, will comply with all applicable zoning, subdivision and other laws, codes, ordinances, regulations and restrictive covenants affecting the Project, including, without limitation, those related to handicapped access;

(4) A certificate from a licensed structural engineer stating that the Project as described in the Project Plans will be structurally sound and in conformity with applicable legal requirements regarding earthquake standards;

(5) A complete set of the Project Plans described in Exhibit J;

(6) A copy of the Project Architect's Agreement and of the Company's agreements with all other parties providing architectural, design or engineering services for the Project;

(7) A copy of all inspection and test reports made by or for the Company or the Project Architect prior to such date;

(8) A certified list from the Company of all construction contracts relating to the Project that the Company has executed or intends to execute, including the General Contract together with complete copies of all such contracts executed on or before such date, and such financial statements of the Contractor and such subcontractors as the Bank may require, including, without limitation, balance sheets and profit and loss statements: the copy of the General Contract delivered to the Bank shall include a schedule showing (i) all subcontracts awarded as of the date of delivery of the General Contract to the Bank, including names, types of work, subcontract amounts and percentage retainage provided in such subcontracts, and (ii) the amount of general conditions and an estimate of value for all subcontracts not awarded as of such date; not less than ninety percent (90%) of the amount budgeted for construction costs in the

Approved Budget shall be represented by guaranteed maximum cost subcontracts executed and submitted to the Bank; the maximum amount of overhead and profit allowed to the Contractor under the General Contract shall be approved by the Bank, and overhead and profit allowed to the Contractor shall be approved by the Bank, and overhead and profit shall be payable under the General Contract in accordance with the percentage of completion of the contracted scope of work;

(9) A copy of the standard form of subcontract to be used by the Contractor, which form must not prohibit an assignment of the subcontract to the Bank or require the subcontractor's consent thereto (all subcontracts for the Project shall be written on the form of subcontract approved by the Bank), and a copy of each subcontract executed on or before such date;

(10) Copies of all executed Change Orders, and a list describing all material Change Orders contemplated or under negotiation as of such date;

(11) All authorizations, including building permits, annexation agreements, plot plan approvals, subdivision approvals, environmental approvals (including an environmental impact report and a permit issued by the California Coastal Commission, if required under applicable law) sewer and water permits and zoning and land use entitlements which are necessary for the commencement and timely prosecution of the construction of the Project in accordance with the Project Plans and in accordance with all applicable building, environmental, subdivision, land use and zoning laws, including evidence that the Property consists of one or more legal and separate lots under the California Subdivision Map Act and for tax assessment purposes;

(12) Copies of all other permits and all licenses, leases, franchises and agreements in existence as of such date which relate to the acquisition, development, use, management, operation or occupancy of the Project;

(13) A current ALTA Preliminary Title Report covering the Property, issued by the Title Company, showing all exceptions to title, together with evidence satisfactory to the Bank that the Title Company is prepared to issue each of the Title Policies, and written confirmation addressed to the Trustee and the Bank that the Title Company will (a) upon completion of the foundations of the Improvements, issue CLTA Form 102.5 as an endorsement to each of the Title Policies, and (b) upon completion of the Project, rewrite and reissue the Bond Trustee Title Policy and the Bank Title Policy as ALTA Endorsement -Form 1 Coverage based on an as-built survey to be provided by the Company, and including a CLTA Form 100 endorsement and such other endorsements as the Bank may request;

(14) The Survey;

(15) A search of the records of the Office of the Secretary of State of California and the Official Records of the County showing all Uniform Commercial Code financing statements and fixture filings against the Company and the Property or the Project or any part thereof or interest therein;

(16) The certificates of insurance required under Subsection 6.2;

(17) The Construction Schedule;

(18) A certification from the Company that, to the best of the Company's knowledge, no condemnation proceedings are pending or threatened which would impair in any way the full utilization of the Project;

(19) A fully-executed set of Payment Request Documents (as defined in Appendix I (Construction Covenants and Disbursement Procedures)) for the amount of the first Disbursement;

(20) Certified copies of the Company's articles of incorporation, bylaws, certificate of good standing from the Secretary of State of the State of California, and certificates of fictitious business name statements, if applicable, for the Company;

(21) Evidence, which may be in the form of a letter from an insurance broker or municipal engineer, (a) as to whether the Property is located in an area designated by the U.S. Department of Housing and Urban Development as having special flood or mudslide hazards, and (b) as to whether the community in which the Property is located participates in a National Flood Insurance Program;

(22) A soils test report prepared by a licensed soils engineer approved by the Bank, showing the locations of, and containing boring logs for, all borings, together with recommendations for the design of the foundations, paved areas and underground utilities for the Project;

(23) Evidence reasonably acceptable to the Bank, which may be in the form of letters from local utility companies or local authorities, that (a) telephone service, gas, electric power, storm, sewer, sanitary sewer and water facilities are available to the Premises; (b) such utilities are adequate to serve the Project and exist at the boundary of the Project; and (c) no conditions exist to affect the Company's right to connect into and have unlimited use of such utilities except for the payment of a normal connection charge and except for the payment of subsequent charges for such services to the utility supplier;

(24) Financial statements of the Company, including without limitation, a balance sheet, cash flow statement and a profit and loss statement for each of the three most recent fiscal years, certified by the chief

financial officer of each such party, or at the Bank's request certified by a certified public accountant, and, if requested by the Bank, copies of all federal income tax returns and supporting schedules prepared or filed by the Company on or before such date, and for the three most recent fiscal years; and

(25) Such other items as the Bank may reasonably require.

EXHIBIT I

TEMECULA PROJECT
COST ESTIMATE AND TIME TABLE
REVISED 8/7/85

	TYPE	SUPPLIER	COST	ORIGINAL BUDGET	FINISH
A)	Architecture	Kulweic	$117,584	$140,000	June
B)	Building:	HMH			
	1 - Earthwork		$ 55,300		June 30
	2 - Site Utilities		33,900		July 31
	3 - Storm Drain		7,145		August
	4 - Asphalt paving		101,717		Nov. 15
	5 - Chain link fence		13,250		Dec. 15
	6 - Landscape and Irrigation		27,855		Dec. 21
	7 - Fine Grade and Fill Planters		5,000		Nov. 30
	8 - Building and Site Concrete		653,211		Oct. 31
	9 - Concrete floor seal		1,625		Nov. 15
	10 - Structural Steel		65,689		Oct. 31
	11 - Rough carpentry		49,661		Oct. 31
	12 - Panelized Roof		171,998		Sept. 30
	13 - Truss Joist		6,000		Oct. 15
	14 - Cabinet Work		1,950		Nov. 30
	15 - Thermal & Sound Insulation		10,611		Oct. 31
	16 - Cooler Construction		264,856		Oct. 25
	17 - Built up Roofing		49,900		Oct. 15
	18 - Flashing and Sheet Metal		8,250		Oct. 15
	19 - Skylights and Roof Hatch		3,789		Oct. 15
	20 - Sealants and Caulking		5,000		Oct. 31
	21 - Doors, Frames and Hardware		11,000		Nov. 15
	22 - Install Doors and Frames		2,240		Nov. 15
	23 - Overhead Coiling Doors		26,000		Nov. 15
	24 - Glass and Glazing		14,234		Nov. 21
	25 - Lath and Plaster		8,500		Oct. 31
	26 - Gypsum Drywall		21,700		Nov. 15
	27 - Ceramic Tile		11,624		Nov. 21
	28 - Acoustical Tile		8,474		Dec. 15
	29 - Carpet and Resilent Tile		9,474		Dec. 15

	Type	Supplier	Cost	Original Budget	Finish
	30 - Painting		$ 75,000		Dec. 21
	31 - Toilet Partition		2,559		Dec. 15
	32 - Toilet Accessories		2,921		Dec. 15
	33 - Dock Equipment		9,496		Nov. 30
	34 - Plumbing		63,600		Dec. 21
	35 - HV & AC		148,875		Dec. 21
	36 - Fire Sprinklers		92,000		Dec. 15
	37 - Cooler Pads/Condensable Pipe		8,500		Nov. 15
	38 - Electrical		226,200		Dec. 21
	39 - Light Pole Bases		3,000		Nov. 30
	40 - Interior Plenum Walls		24,952		Oct. 21
	41 - Super. and Misc. Job Expense		72,500		Dec. 31
	42 - Overhead and profit		130,894		Dec. 31
	TOTAL		$2,510,778	$3,020,000	
C)	Refrigeration	Am. Refrig	328,702		
D)	Electrical		135,000	135,000	
E)	Utility Connections	SCE	2,112	--	
F)	Sizer Line	D. Waylan	277,622	233,180	
G)	Bin Dump - Grading Line	Packers Mfg	302,500	427,690	
H)	Packing Tubs (100)		77,910	71,250	
I)	Packer Stands (30)		14,278	22,800	
J)	Scales	Durand	14,000	14,000	
K)	Forklifts (8)	Hyster	178,640	208,000	
L)	5 Pallet forklift	Hyster	51,767	65,000	
M)	Bin hoist		6,000	6,000	
N)	Vibrator count fill		10,000	--	
O)	Pallet jacks (2)		1,200	1,200	
P)	Box former and sealer	Weyerhauser	N/C	N/C	
Q)	Pallet Squeeze Converter		5,000	8,600	

Temecula Project
Cost Estimate and Time Table
Revised 8/7/85

	Type	Supplier	Cost	Original Budget	Finish
R)	Shop Equipment		$ 7,000	$ 7,000	
S)	Office Equipment and Lunch Room		10,000	10,000	
T)	Telephone system		12,000	12,000	
U)	Office Furniture		15,000	15,000	
V)	Computer	IBM	10,000	10,000	
W)	Air Compressor		11,000	13,000	
X)	Bin Sanitizer	McGuire	7,500	7,500	
Y)	Dry Matter Test Equipment		6,000	6,000	
Z)	Water Treatment System		3,000	3,000	
AA)	Day Coders	Menke	1,200	1,200	
BB)	Pack Station Stamps		2,000	2,000	
CC)	Freight		6,000	--	
	Sub-Total		$4,109,793	$4,439,620	
	Sales Tax		11,225	42,530	
	Interest on Project		248,500	248,500	
	Contingency		171,129	--	
	Permits and Fees		12,338		
	TOTAL CONSTRUCTION COST		$4,552,985	$4,730,650	

EXHIBIT J
PLANS AND SPECIFICATIONS
FOR NEW PACKING HOUSE FOR
CALAVO GROWERS OF CALIFORNIA
DATED MAY 15, 1985, PREPARED BY KULWIET GROUP,
WHOSE ADDRESS IS 330 NORTH WOOD ROAD, SUITE D,
CAMARILLO, CALIFORNIA 93010 -- PROJECT NO. 8410051

- - Cover Sheet No. C
- - Information Sheet No. 1
- - Topographic Survey No. C1
- - Grading Plan - Sheet No. 1 of 2 sheets for Parcels 11 & 16 - Parcel Map 12549, Revised 6-11-85
- - Grading Plan - Sheet 2 of 2 for Parcels 11 & 16 - Parcel Map 12549, Revised 6-11-85
- - Site Plan - Sheet No. A1
- - Site Plan Details and Off-Site Wall Elevations - Sheet No. A2
- - Overall Floor Plan - Sheet No. A3
- - Overall Reflected Ceiling Plan - Sheet No. A4
- - Roof Plan - Sheet No. A5
- - Partial Floor Plan - Sheet No. A6
- - Partial Reflected Ceiling Plan - Sheet No. A7
- - Exterior Elevations - Sheet No. A8
- - Sections - Sheet No. A9
- - Sections - Sheet No. A10
- - Toilet Floor Plans Interior Elevations - Sheet No. A11
- - Room Finish, Door & Window Schedules - Sheet No. A12
- - Details - Sheet No. A13
- - Details - Sheet No. A14
- - Details - Sheet No. A14.5
- - Specifications - Sheets No. A15, A16, A17, A18

105
- - General Notes & Typical Details - No. S1

- - Off-Site Foundation Plan - No. S2

- - Foundation Plan - No. S3

- - Roof Framing Plan - No. S4

- - Panel Elevations - Panels 1 thru 38 - No. S5

- - Panel Elevations - Panels 39 thru 86 - No. S6

- - Panel Elevations - Panels 87 thru 108 and Sections - No. S7

- - Foundation Sections & Details - No. S8

- - Framing Sections & Details - No. S9

- - Details - No. S10

- - Singleline Diagram - No. E-1

- - Electrical Site Plan - No. E-2

- - Details - No. E-3

- - Lighting Plan - No. E-4

- - Power & Comm. Plan - No. E-5

- - Lighting Plan - No. E-6

- - Power & Comm. Plan - Offices, Lunchroom, Shipping Office, Drivers' Room and Shop Area - No. E-7

- - Lighting Schedule - Panel Schedule - No. E-8

- - Panel Schedules - No. E-9

- - Electrical Specs. - No. E-10

- - Cover Sheet - Symbols, etc. - No. MP-1

- - Building HVAC Layout - No. M-1

- - Office Areas HVAC - Layout - No. M-2

- - HVAC Roof Plan - No. M-3

- - Equipment Schedules - No. M-4

- - Details - No. MP-5

- - Mechanical Specs. - No. MP-6

- - Site Plan - No. P-1

- - Building Plumbing - Layout - No. P-2

- - Restroom Layout and Isometrics - No. P-3

- - Roof Drains - No. P-4

- - Planting Plan - No. L-1

- - Planting Plan - NO. L-2

- - Irrigation Plan - No. L-3

- - Irrigation Plan - No. L-4

- - Details & Specs. - No. L-5

EXHIBIT 10.10

AMENDMENT NO. TWO TO REIMBURSEMENT AGREEMENT

This Amendment No. Two to Reimbursement Agreement (the "Amendment") dated as of 22nd of August 1995, is between BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION (the "Bank") and CALAVO GROWERS OF CALIFORNIA (the "Company").

RECITALS

A. Security Pacific National Bank and the Company entered into a certain Reimbursement Agreement dated as of September 1, 1988, as previously amended (the "Agreement").

B. The Bank is successor by merger to Security Pacific National Bank.

C. The Bank and the Company desire to further amend the Agreement.

AGREEMENT

1. Definitions. Capitalized terms used but not defined in this Amendment shall have the meaning given to them in the Agreement.

2. Amendments. The Agreement is hereby amended as follows:

2.1 Section 6.4(c) of the Agreement is amended by adding the term "consolidated and consolidating" immediately before the term "financial statements."

2.2 Section 6.15(b) is amended by substituting the figure "$5,000,000" for the figure "$3,500,000."

3. Representations and Warranties. When the Company signs this Amendment, the Company represents and warrants to the Bank that: (a) there is no event which is, or with notice or lapse of time or both would be, a default under the Agreement, (b) the representations and warranties in the Agreement are true as of the date of this Amendment as if made on the date of this Amendment, (c) this Amendment is within the Company's powers, has been duly authorized, and does not conflict with any of the Company's organizational papers, and (d) this Amendment does not conflict with any law, agreement, or obligation by which the Company is bound.

4. Conditions. This Amendment will be effective when the Bank receives the following items, in form and content acceptable to the Bank:

4.1 This Amendment executed by the Company.

4.2 A guaranty executed by Calavo Foods, Inc. in the amount of $5,850,395 along with evidence of the authority of Calavo Foods, Inc. to execute such guaranty.

5. Effect of Amendment. Except as provided in this Amendment, all of the terms and conditions of the Agreement shall remain in full force and effect.

This Amendment is executed as of the date stated at the beginning of this Amendment.

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION

By

Title

CALAVO GROWERS OF CALIFORNIA

By /s/ EGIDIO CARBONE

Title Vice President

By /s/ SCOTT H. RUNGE

Title Treasurer

EXHIBIT 10.11

AMENDMENT NO. THREE TO REIMBURSEMENT AGREEMENT

This Amendment No. Three to Reimbursement Agreement (this "Amendment") dated as of 10/18, 2000, is between BANK OF AMERICA, N.A., formerly Bank of America National Trust and Savings Association (the "Bank") and CALAVO GROWERS OF CALIFORNIA (the "Company").

RECITALS

A. Security Pacific National Bank and the Company entered into a certain Reimbursement Agreement dated as of September 1, 1988, as previously amended (the "Agreement").

B. The Bank is successor by merger to Security Pacific National Bank.

C. The Bank and the Company now desire to further amend the Agreement.

AGREEMENT

1. Definitions. Capitalized terms used but not defined in this Amendment shall have the meanings given to them in the Agreement.

2. Amendments. The Agreement is hereby amended as follows:

2.1 In Section 1.1 of the Agreement, the definition of "Permitted Indebtedness" is amended in full to read as follows:

"'Permitted Indebtedness' means (a) liabilities incurred to acquire goods, supplies, or merchandise on normal trade credit; (b) liabilities for endorsing negotiable instruments received in the usual course of business; (c) liabilities incurred to obtain surety bonds in the usual course of business; (d) liabilities in existence on the date of this Agreement disclosed in writing to the Bank; (e) additional debts for business purposes which, together with the debts permitted under subparagraph (d) above, do not exceed a total principal amount of Twenty Six Million Five Hundred Thousand Dollars ($26,500,000) outstanding at any one time; and (f) indebtedness owing to the Bank."

2.2 In Section 1.1. of the Agreement, the following definition of "Tangible Net Worth" is added in alphabetical order:

"'Tangible Net Worth' means Net Worth less intangible assets, including without limitation, goodwill, patents, trademarks, trade names, organization expense, treasury stock, unamortized debt discount and expense, capitalized or deferred research and development costs, deferred marketing expenses, and deferred receivables."

2.3 The following is added to the Agreement as a new Section 6.15(e):

"(e) The Company shall maintain a Tangible Net Worth of not less than $12,000,000."

3. Representations and Warranties. When the Company signs this Amendment, the Company represents and warrants to the Bank that: (a) there is no event which is, or with notice or lapse of time or both would be, a default under the Agreement, (b) the representations and warranties in the Agreement are true as of the date of this Amendment as if made on the date of this Amendment, (c) this Amendment is within the Company's powers, has been duly authorized, and does not conflict with any of the Company's organizational papers, and (d) this Amendment does not conflict with any law, agreement, or obligation by which the Company is bound.

4. Conditions. This Amendment will be effective when the Bank receives the following items, in form and content acceptable to the Bank:

4.1 This Amendment executed by the Company.

5. Effect of Amendment. Except as provided in this Amendment, all of the terms and conditions of the Agreement shall remain in full force and effect.

This Amendment is executed as of the date stated at the beginning of this Amendment.

BANK OF AMERICA, N.A.

By: /s/ EDUARDO ORDORICA

Eduardo Ordorica
Assistant Vice President

(Signatures continued on next page)

CALAVO GROWERS OF CALIFORNIA

By: /s/ EGIDIO CARBONE 11/17/00

Egidio Carbone,
Vice President Finance and
Secretary

BY: /s/ SCOTT H. RUNGE 11/20/00

Scott H. Runge, Treasurer

EXHIBIT 10.12

MLA No. E118A

MASTER LOAN AGREEMENT

THIS MASTER LOAN AGREEMENT is entered into as of June 15, 2000, between COBANK, ACB ("CoBank") and CALAVO GROWERS OF CALIFORNIA, Santa Ana, California (the "Company").

BACKGROUND

From time to time CoBank may make loans to the Company. In order to reduce the amount of paperwork associated therewith, CoBank and the Company would like to enter into a master loan agreement. For that reason, and in consideration of CoBank making one or more loans to the Company, CoBank and the Company agree as follows:

SECTION 1. SUPPLEMENTS. In the event the Company desires to borrow from CoBank and CoBank is willing to lend to the Company, or in the event CoBank and the Company desire to consolidate any existing loans hereunder, the parties will enter into a Supplement to this agreement (a "Supplement"). Each Supplement will set forth the amount of the loan, the purpose of the loan, the interest rate or rate options applicable to that loan, the repayment terms of the loan, and any other terms and conditions applicable to that particular loan. Each loan will be governed by the terms and conditions contained in this agreement and in the Supplement relating to the loan.

SECTION 2. AVAILABILITY. Loans will be made available on any day on which CoBank and the Federal Reserve Banks are open for business upon the telephonic or written request of the Company. Requests for loans must be received no later than 12:00 noon Company's local time on the date the loan is desired. Loans will be made available by wire transfer of immediately available funds to such account or accounts as may be authorized by the Company. The Company shall furnish to CoBank a duly completed and executed copy of a CoBank Delegation and Wire Transfer Authorization Form, and CoBank shall be entitled to rely on (and shall incur no liability to the Company in acting on) any request or direction furnished in accordance with the terms thereof.

SECTION 3. REPAYMENT. The Company's obligation to repay each loan shall be evidenced by the promissory note set forth in the Supplement relating to that loan or by such replacement note as CoBank shall require. CoBank shall maintain a record of all loans, the interest accrued thereon, and all payments made with respect thereto, and such record shall, absent proof of manifest error, be conclusive evidence of the outstanding principal and interest on the loans. All payments shall be made by wire transfer of immediately available funds or by check. Wire transfers shall be made to ABA No. 307088754 for advice to and credit of CoBANK (or to such other account as CoBank may direct by notice). The Company shall give CoBank telephonic notice no later than 12:00 noon Company's local time of its intent to pay by wire and funds received after 3:00 p.m. Company's local time shall be credited on the next business day. Checks shall be mailed to CoBank, Department 167, Denver, Colorado, 80291-0167 (or to such other place as CoBank may direct by notice). Credit for payment by check will not be given until the latter of (a) the day on which CoBank receives immediately available funds; or (b) the next business day after receipt of the check.

SECTION 4. CAPITALIZATION. The Company agrees to purchase such equity in CoBank as CoBank may from time to time require in accordance with its Bylaws. However, the maximum amount of equity which the Company shall be obligated to purchase in connection with any loan may not exceed the maximum amount permitted by the Bylaws at the time the Supplement relating to that loan is entered into or such loan is renewed or refinanced by CoBank.

SECTION 5. SECURITY. The company's obligations under this agreement, all Supplements (whenever executed), and all instruments and documents contemplated hereby or thereby, shall be secured by a statutory first lien on all equity which the Company may now own or hereafter acquire in CoBank. Except for CoBank's lien on the Company's equity in CoBank, the Company's obligations hereunder and under each Supplement shall be unsecured.

SECTION 6. CONDITIONS PRECEDENT.

(A) CONDITIONS TO INITIAL SUPPLEMENT. CoBank's obligation to extend credit under the initial Supplement hereto is subject to the conditions precedent that CoBank receive, in form and substance satisfactory to CoBank, each of the following:

(i) THIS AGREEMENT, ETC. A duly executed copy of this agreement and all instruments and documents contemplated hereby.

(B) CONDITIONS TO EACH SUPPLEMENT. CoBank's obligation to extend credit under each Supplement, including the initial Supplement, is subject to the conditions precedent that CoBank receive, in form and content satisfactory to CoBank, each of the following:

(i) SUPPLEMENT. A duly executed copy of the Supplement and all instruments and documents contemplated thereby.

(ii) EVIDENCE OF AUTHORITY. Such certified board resolutions, evidence of incumbency, and other evidence that CoBank may require that the Supplement, all instruments and documents executed in connection therewith, and, in the case of initial Supplement hereto, this agreement and all instruments and documents executed in connection herewith, have been duly authorized and executed.

(iii) FEES AND OTHER CHARGES. All fees and other charges provided for herein or in the Supplement.

(iv) EVIDENCE OF PERFECTION, ETC. Such evidence as CoBank may require that CoBank has a duly perfected first priority lien on all security for the Company's obligations, and that the Company is in compliance with Section 8(D) hereof.

(C) CONDITIONS TO EACH LOAN. CoBank's obligation under each Supplement to make any loan to the Company thereunder is subject to the condition that no "Event of Default" (as defined in Section 11 hereof) or event which with the giving of notice and/or the passage of time would become an Event of Default hereunder (a "Potential Default"), shall have occurred and be continuing.

SECTION 7. REPRESENTATIONS AND WARRANTIES.

(A) THIS AGREEMENT. The Company represents and warrants to CoBank that as of the date of this Agreement:

(i) COMPLIANCE. The Company and, to the extent contemplated hereunder, its Subsidiaries are in compliance with all of the terms of this agreement, and no Event of Default or Potential Default exists hereunder.

(ii) SUBSIDIARIES. The Company has the following "Subsidiaries" (as defined below): Calavo Foods, Inc. (CFI); Calavo de Mexico S.A. de C.V.; and Calavo Foods de Mexico S.A. de C.V. For purposes hereof, a "subsidiary" shall mean a corporation of which shares of stock having ordinary voting power to elect a majority of the board of directors or other managers of such corporation are owned, directly or indirectly, by the Company.

(B) EACH SUPPLEMENT. The execution by the Company of each Supplement hereto shall constitute a representation and warranty to CoBank that:

(i) APPLICATIONS. Each representation and warranty and all information set forth in any application or other documents submitted in connection with, or to induce CoBank to enter into, such Supplement, is correct in all material respects as of the date of the Supplement.

(ii) CONFLICTING AGREEMENTS, ETC. This agreement, the Supplements, and all security and other instruments and documents relating hereto and thereto (collectively, at any time, the "Loan Documents"), do not conflict with, or require the consent of any party to, any other agreement to which the Company is a party or by which it or its property may be bound or affected, and do not conflict with any provision of the Company's bylaws, articles of incorporation, or other organizational documents.

(iii) COMPLIANCE. The Company and, to the extent contemplated hereunder, its Subsidiaries are in compliance with all of the terms of the Loan Documents (including, without limitation, Section 8(A) of this agreement on eligibility to borrow from CoBank).

(iv) BINDING AGREEMENT. The Loan Documents create legal, valid, and binding obligations of the Company which are enforceable in accordance with their terms, except to the extent that enforcement may be limited by applicable bankruptcy, insolvency, or similar laws affecting creditors' rights generally.

SECTION 8. AFFIRMATIVE COVENANTS. Unless otherwise agreed to in writing by CoBank, while this agreement is in effect, the Company agrees to, and with respect to Subsections 8 (B) through 8 (G) hereof, agrees to cause each Subsidiary to:

(A) ELIGIBILITY. Maintain its status as an entity eligible to borrow from CoBank.

(B) CORPORATE EXISTENCE, LICENSES. ETC. (i) Preserve and keep in full force and effect its existence and good standing in the jurisdiction of its incorporation or formation; (ii) qualify and remain qualified to transact business in all jurisdictions where such qualification is required; and (iii) obtain and maintain all licenses, certificates, permits, authorizations, approvals, and the like which are material to the conduct of its business or required by law, rule, regulation, ordinance, code, order, and the like (collectively, "Laws").

(C) COMPLIANCE WITH LAWS. Comply in all material respects with all applicable Laws, including, without limitation, all Laws relating to environmental protection and any patron or member investment program that it may have. In addition, the Company agrees to cause all persons occupying or present on any of its properties, and to cause each Subsidiary to cause all persons occupying or present on any of its properties, to comply in all material respects with all environmental protection Laws.

(D) INSURANCE. Maintain insurance with insurance companies or associations acceptable to CoBank in such amounts and covering such risks as are usually carried by companies engaged in the same or similar business and similarly situated, and make such increases in the type or amount of coverage as CoBank may request. All such policies insuring any collateral for the Company's obligations to CoBank shall have mortgagee or lender loss payable clauses or endorsements in form and content acceptable to CoBank. At

CoBank's request, all policies (or such other proof of compliance with this Subsection as may be satisfactory to CoBank) shall be delivered to CoBank.

(E) PROPERTY MAINTENANCE. Maintain all of its property that is necessary to or useful in the proper conduct of its business in good working condition, ordinary wear and tear excepted.

(F) BOOKS AND RECORDS. Keep adequate records and books of account in which complete entries will be made in accordance with generally accepted accounting principles ("GAAP") consistently applied.

(G) INSPECTION. Permit CoBank or its agents, upon reasonable notice and during normal business hours or at such other times as the parties may agree, to examine its properties, books, and records, and to discuss its affairs, finances, and accounts, with its respective officers, directors, employees, and independent certified public accountants.

(H) REPORTS AND NOTICES. Furnish to CoBank:

(i) ANNUAL FINANCIAL STATEMENTS. As soon as available, but in no event more than 120 days after the end of each fiscal year of the Company occurring during the term hereof, annual consolidated financial statements of the Company and its consolidated Subsidiaries prepared in accordance with GAAP consistently applied. Such financial statements shall: (a) in the case of the consolidated statements be audited by independent certified public accountants selected by the Company and acceptable to CoBank; (b) in the case of the consolidated statements be accompanied by a report of such accountants containing an opinion thereon acceptable to CoBank; (c) be prepared in reasonable detail and in comparative form; and (d) include a balance sheet, a statement of income, a statement of retained earnings, a statement of cash flows, and all notes and schedules relating thereto.

(ii) INTERIM FINANCIAL STATEMENTS. As soon as available, but in no event more than 45 days after the end of each month, a balance sheet of the Company and its consolidated Subsidiaries as of the end of such month, a statement of income for the Company and its consolidated Subsidiaries for such period and for the period year to date, and such other interim statements as CoBank may specifically request, all prepared in reasonable detail and in comparative form in accordance with GAAP consistently applied.

(iii) NOTICE OF DEFAULT. Promptly after becoming aware thereof, notice of the occurrence of an Event of Default or a Potential Default.

(iv) NOTICE OF NON-ENVIRONMENTAL LITIGATION. Promptly after the commencement thereof, notice of the commencement of all actions, suits, or proceedings before any court, arbitrator, or governmental department, commission, board, bureau, agency, or instrumentality affecting the Company or its Subsidiaries which, if determined adversely to the Company or such Subsidiaries, could have a material adverse effect on the financial condition, properties, profits, or operations of the Company or such Subsidiaries.

(v) NOTICE OF ENVIRONMENTAL LITIGATION, ETC. Promptly after receipt thereof, notice of the receipt of all pleadings, orders, complaints, indictments, or any other communication alleging a condition that may require the Company or its Subsidiaries to undertake or to contribute to a cleanup or other response under environmental Laws, or which seek penalties, damages, injunctive relief, or criminal sanctions related to alleged violations of such Laws, or which claim personal injury or property damage to any person as a result of environmental factors or conditions.

(vi) BYLAWS AND ARTICLES. Promptly after any change in the Company's bylaws or articles of incorporation (or like documents), copies of all such changes, certified by the Company's Secretary.

(vii) OTHER INFORMATION. Such other information regarding the condition or operations, financial or, otherwise, of the Company or its Subsidiaries as CoBank may from time to time reasonably request, including but not limited to copies of all pleadings, notices, and communications referred to in Subsections 8(H)(iv) and (v) above.

SECTION 9. NEGATIVE COVENANTS. Unless otherwise agreed to in writing by CoBank, while this agreement is in effect the Company will not, and will not permit its Subsidiaries to:

(A) BORROWINGS. Create, incur, assume, or allow to exist, directly or indirectly, any indebtedness or liability for borrowed money (including trade or bankers' acceptances), letters of credit, or the deferred purchase price of property or services (including capitalized leases), except for: (i) debt to CoBank; (ii) accounts payable to trade creditors incurred in the ordinary course of business; and (iii) current operating liabilities (other than for borrowed money) incurred in the ordinary course of business; (iv) indebtedness of the Company under its member or patron investment program in an aggregate principal amount not to exceed $1,000,000.00 at any one time outstanding; and (v) debt of the Company to Bank of America in an amount not to exceed $3,000,000.00 and all extensions, renewals, and refinancings thereof; (vi) debt of the Company to Riverside County Variable Rate Demand Industrial Development Revenue Bonds in an amount not to exceed $2,800,000.00 but no extensions renewals and refinancings thereof; (vii) letters of credit issued by any bank for the account of the Company in an aggregate face amount not to exceed $2,850,000.00 at any one time outstanding; and (viii) capitalized leases existing on the date hereof existing from time to time.

(B) LIENS. Create, incur, assume, or allow to exist any mortgage, deed of trust, pledge, lien (including the lien of an attachment, judgment, or execution), security interest, or other encumbrance of any kind upon any of its property, real or personal (collectively, "Liens"). The foregoing restrictions shall not apply to: (i) Liens in favor of CoBank; (ii) Liens for taxes, assessments, or governmental charges that are not past due; (iii) Liens and deposits under workers' compensation, unemployment insurance, and social security Laws; (iv) Liens and deposits to secure the performance of bids, tenders, contracts (other than contracts for the payment of money), and like obligations arising in the ordinary course of business as conducted on the date hereof; (v) Liens imposed by Law in favor of mechanics, materialmen, warehousemen, and like persons that secure obligations that are not past due; and (vi) easements, rights-of-way, restrictions, and other similar encumbrances which, in the aggregate, do not materially interfere with the occupation, use, and enjoyment of the property or assets encumbered thereby in the normal course of its business or materially impair the value of the property subject thereto; and (vii) liens existing on the date hereof in favor of Riverside County Variable Rate Demand Industrial Development Revenue Bonds to secure indebtedness permitted hereunder.

(C) MERGERS, ACQUISITIONS, ETC. Merge or consolidate with any other entity or acquire all or a material part of the assets of any person or entity, or form or create any new subsidiary or affiliate, or commence operations under any other name, organization, or entity, including any joint venture.

(D) TRANSFER OF ASSETS. Sell, transfer, lease, or otherwise dispose of any of its assets, except in the ordinary course of business.

(E) LOANS. Lend or advance money, credit, or property to any person or entity, except for trade credit extended in the ordinary course of business.

(F) CONTINGENT LIABILITIES. Assume, guarantee, become liable as a surety, endorse, contingently agree to purchase, or otherwise be or become liable, directly or indirectly (including, but not limited to, by means of a maintenance agreement, an asset or stock purchase agreement, or any other agreement designed to ensure any creditor against loss), for or on account of the obligation of any person or entity, except by the

endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of the Company's business.

(G) CHANGE IN BUSINESS. Engage in any business activities or operations substantially different from or unrelated to the Company's present business activities or operations.

SECTION 10. FINANCIAL COVENANTS. Unless otherwise agreed to in writing, while this agreement is in effect:

(A) LONG TERM DEBT TO EQUITY. The Company and its consolidated Subsidiaries will have at the end of each fiscal year of the company, a ratio of consolidated long-term debt (less the current portion thereof) to consolidated equity (both as determined in accordance with GAAP consistently applied) of not more than .50 to 1.

SECTION 11. EVENTS OF DEFAULT. Each of the following shall constitute an "Event of Default" under this agreement:

(A) PAYMENT DEFAULT. The Company should fail to make any payment to, or to purchase any equity in, CoBank when due.

(B) REPRESENTATIONS AND WARRANTIES. Any representation or warranty made or deemed made by the Company herein or in any Supplement, application, agreement, certificate, or other document related to or furnished in connection with this agreement or any Supplement, shall prove to have been false or misleading in any material respect on or as of the date made or deemed made.

(C) CERTAIN AFFIRMATIVE COVENANTS. The Company or, to the extent required hereunder, its Subsidiaries should fail to perform or comply with Sections 8(A) through 8(H)(ii), 8(H)(vi), 8(H)(vii), or any reporting covenant set forth in any Supplement hereto, and such failure continues for 15 days after written notice thereof shall have been delivered by CoBank to the Company.

(D) OTHER COVENANTS AND AGREEMENTS. The Company or, to the extent required hereunder, its Subsidiaries should fail to perform or comply with any other covenant or agreement contained herein or in any other Loan Document or shall use the proceeds of any loan for an unauthorized purpose.

(E) CROSS-DEFAULT. The Company should, after any applicable grace period, breach or be in default under the terms of any other agreement between the Company and CoBank.

(F) OTHER INDEBTEDNESS. The Company or any Subsidiary should fail to pay when due any indebtedness to any other person or entity for borrowed money or any long-term obligation for the deferred purchase price of property (including any capitalized lease), or any other event occurs which, under any agreement or instrument relating to such indebtedness or obligation, has the effect of accelerating or permitting the acceleration of such indebtedness or obligation, whether or not such indebtedness or obligation is actually accelerated or the right to accelerate is conditioned on the giving of notice, the passage of time, or otherwise.

(G) JUDGMENTS. A judgment, decree, or order for the payment of money shall be rendered against the Company or any Subsidiary and either: (i) enforcement proceedings shall have been commenced; (ii) a Lien prohibited under Section 9(B) hereof shall have been obtained; or (iii) such judgment, decree, or order shall continue unsatisfied and in effect for a period of 20 consecutive days without being vacated, discharged, satisfied, or stayed pending appeal.

(H) INSOLVENCY, ETC. The Company or any Subsidiary shall: (i) become insolvent or shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they come due; or (ii) suspend, its business operations or a material part thereof or make an assignment for the benefit of creditors; or (iii) apply for, consent to, or acquiesce in the appointment of a trustee, receiver, or other custodian for it or any of its property or, in the absence of such application, consent, or acquiescence, a trustee, receiver, or other custodian is so appointed; or (iv) commence or have commenced against it any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution, or liquidation Law of any jurisdiction.

(I) MATERIAL ADVERSE CHANGE. Any material adverse change occurs, as reasonably determined by CoBank, in the Company's financial condition, results of operation, or ability to perform its obligations hereunder or under any instrument or document contemplated hereby.

SECTION 12. REMEDIES. Upon the occurrence and during the continuance of an Event of Default or any Potential Default, CoBank shall have no obligation to continue to extend credit to the Company and may discontinue doing so at any time without prior notice. For the purposes hereof, the term "Potential Default" means the continuance of any event which, with the passage of time or the giving of notice or both, would become an Event of Default. In addition, upon the occurrence and during the continuance of any Event of Default, CoBank may, upon notice to the Company, terminate any commitment and declare the entire unpaid principal balance of the loans, all accrued interest thereon, and all other amounts payable under this agreement, all Supplements, and the other Loan Documents to be immediately due and payable. Upon such a declaration, the unpaid principal balance of the loans and all such other amounts shall become immediately due and payable, without protest, presentment, demand, or further notice of any kind, all of which are hereby expressly waived by the Company. In addition, upon such an acceleration:

(A) ENFORCEMENT. CoBank may proceed to protect, exercise, and enforce such rights and remedies as may be provided by this agreement, any other Loan Document or under Law. Each and every one of such rights and remedies shall be cumulative and may be exercised from time to time, and no failure on the part of CoBank to exercise, and no delay in exercising, any right or remedy shall operate as a waiver thereof, and no single or partial exercise of any right or remedy shall preclude any other or future exercise thereof, or the exercise of any other right. Without limiting the foregoing, CoBank may hold and/or set off and apply against the Company's obligations to CoBank the proceeds of any equity in CoBank, any cash collateral held by CoBank, or any balances held by CoBank for the Company's account (whether or not such balances are then due).

(B) APPLICATION OF FUNDS. CoBank may apply all payments received by it to the Company's obligations to CoBank in such order and manner as CoBank may elect in its sole discretion.

In addition to the rights and remedies set forth above: (i) if the Company fails to purchase any equity in CoBank when required or fails to make any payment to CoBank when due, then at Commands option in each instance, such payment shall bear interest from the date due to the date paid at 4% per annum in excess of the rate(s) of interest that would otherwise be in effect on that loan; and (ii) after the maturity of any loan (whether as a result of acceleration or otherwise), the unpaid principal balance of such loan (including without limitation, principal, interest, fees and expenses) shall automatically bear interest at 4% per annum in excess of the rate(s) of interest that would otherwise be in effect on that loan. All interest provided for herein shall be payable on demand and shall be calculated on the basis of a year consisting of 360 days

SECTION 13. BROKEN FUNDING SURCHARGE. Notwithstanding any provision contained in any Supplement giving the Company the right to repay any loan prior to the date it would otherwise be due and payable, the Company agrees that in the event it repays any fixed rate balance prior to its scheduled due date or

prior to the last day of the fixed rate period applicable thereto (whether such payment is made voluntarily, as a result of an acceleration, or otherwise), the Company will pay to CoBank a surcharge in an amount which would result in CoBank being made whole (on a present value basis) for the actual or imputed funding losses incurred by CoBank as a result thereof. Notwithstanding the foregoing, in the event any fixed rate balance is repaid as a result of the Company refinancing the loan with another lender or by other means, then in lieu of the foregoing, the Company shall pay to CoBank a surcharge in an amount sufficient (on a present value basis) to enable CoBank to maintain the yield it would have earned during the fixed rate period on the amount repaid. Such surcharges will be calculated in accordance with methodology established by CoBank (a copy of which will be made available to the Company upon request).

SECTION 14. COMPLETE AGREEMENT, AMENDMENTS. This agreement, all Supplements, and all other instruments and documents contemplated hereby and thereby, are intended by the parties to be a complete and final expression of their agreement. No amendment, modification, or waiver of any provision hereof or thereof, and no consent to any departure by the Company herefrom or therefrom, shall be effective unless approved by CoBank and contained in a writing signed by or on behalf of CoBank, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. In the event this agreement is amended or restated, each such amendment or restatement shall be applicable to all Supplements hereto.

SECTION 15. OTHER TYPES OF CREDIT. From time to time, CoBank may issue letters of credit or extend other types of credit to or for the account of the Company. In the event the parties desire to do so under the terms of this agreement, such extensions of credit may be set forth in any Supplement hereto and this agreement shall be applicable thereto.

SECTION 16. APPLICABLE LAW. Except to the extent governed by applicable federal law, this agreement and each Supplement shall be governed by and construed in accordance with the laws of the State of Colorado, without reference to choice of law doctrine.

SECTION 17. NOTICES. All notices hereunder shall be in writing and shall be deemed to be duly given upon delivery if personally delivered or sent by telegram or facsimile transmission, or 3 days after mailing if sent by express, certified or registered mail, to the parties at the following addresses (or such other address for a party as shall be specified by like notice):

If to CoBank, as follows:

CoBank, ACB
Attn: Credit Information Services
5500 S. Quebec Street, P.O. Box 5101
Denver, Colorado 80217
FAX#: (303) 224-6101

If to the Company, as follows:

Calavo Growers of California
ATTN: Vice President - Finance
Santa Ana, California 92799-6081
FAX#: (949) 223-1112

SECTION 18. TAXES AND EXPENSES. To the extent allowed by law, the Company agrees to pay all reasonable out-of-pocket costs and expenses (including the fees and expenses of counsel retained by CoBank) incurred by CoBank in connection with the origination, administration, collection, and enforcement of this agreement and the other Loan Documents, including, without limitation, all costs and expenses incurred in perfecting, maintaining, determining the priority of, and releasing any security for the Company's obligations to CoBank, and any stamp, intangible, transfer, or like tax payable in connection with this agreement or any other Loan Document.

SECTION 19. EFFECTIVENESS AND SEVERABILITY. This agreement shall continue in effect until: (i) all indebtedness and obligations of the Company under this agreement, all Supplements, and all other Loan Documents shall have been paid or satisfied; (ii) CoBank has no commitment to extend credit to or for the account of the Company under any Supplement; and (iii) either party sends written notice to the other terminating this agreement. Any provision of this agreement or any other Loan Document which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or thereof.

SECTION 20. SUCCESSORS AND ASSIGNS. This agreement, each Supplement, and the other Loan Documents shall be binding upon and inure to the benefit of the Company and CoBank and their respective successors and assigns, except that the Company may not assign or transfer its rights or obligations under this agreement, any Supplement or any other Loan Document without the prior written consent of CoBank.

IN WITNESS WHEREOF, the parties have caused this agreement to be executed by their duly authorized officers as of the date shown above.

CoBANK, ACB	CALAVO GROWERS OF CALIFORNIA
By: ____________________	By: /s/ EGIDIO CARBONE
Title: ____________________	Title: Vice President
	6/20/00
	By: /s/ S.H. RUNGE
	Title: Treasurer
	6/21/00

Loan No. E118S01B

REVOLVING CREDIT SUPPLEMENT

THIS SUPPLEMENT to the Master Loan Agreement dated June 15, 2000 (the "MLA"), is entered into as of June 15, 2000 between COBANK, ACB ("CoBank") and CALAVO GROWERS OF CALIFORNIA, Santa Ana, California (the "Company"), and amends and restates the Supplement dated July 14, 1999 and numbered E118S01A.

SECTION 1. THE REVOLVING CREDIT FACILITY. On the terms and conditions set forth in the MLA and this Supplement, CoBank agrees to make loans to the Company during the period set forth below in an aggregate principal amount not to exceed $23,500,000.00 at any one time outstanding (the "Commitment"). Within the limits of the Commitment, the Company may borrow, repay and reborrow.

SECTION 2. PURPOSE. The purpose of the Commitment is to finance the operating needs of the Company.

SECTION 3. TERM. The term of the Commitment shall be from June 15, 2000 up to but not including April 1, 2001, or such later date as CoBank may, in its sole discretion, authorize in writing. Notwithstanding the foregoing, the Commitment shall be automatically extended for an additional year unless on or before March 1 in any year (the "Notification Date"), either party receives written notice from the other to the contrary. If on or before the Notification Date, CoBank grants a short-term extension of the Commitment, then the Notification Date shall be extended for a like period, and in the event neither party receives written notice from the other to the contrary on or before such extended Notification Date (or any further extension so granted), then the Commitment shall be automatically extended for an additional year as provided above. All annual extensions shall be measured from, and effective as of, the anniversary date of April 1, in any year.

SECTION 4. INTEREST. The Company agrees to pay interest on the unpaid principal balance of the loans in accordance with one or more of the following interest rate options, as selected by the Company:

(A) VARIABLE RATE OPTION. At a rate per annum equal at all times to 1/4 of 1% below the rate of interest established by CoBank from time to time as its National Variable Rate, which Rate is intended by CoBank to be a reference rate and not its lowest rate. The National Variable Rate will change on the date established by CoBank as the effective date of any change therein and CoBank agrees to notify the Company promptly after any such change.

(B) QUOTED RATE OPTION. At a fixed rate per annum to be quoted by CoBank in its sole discretion in each instance. Under this option, rates may be fixed on such balances and for such periods as may be agreeable to CoBank in its sole discretion in each instance.

The Company shall select the applicable rate option at the time it requests a loan hereunder and may, subject to the limitations set forth above, elect to convert balances bearing interest at the variable rate option to one of the fixed rate options. Upon the expiration of any fixed rate period, interest shall automatically accrue at the variable rate option unless the amount fixed is repaid or fixed for an additional period in accordance with the terms hereof. Notwithstanding the foregoing, unless CoBank otherwise consents in its sole discretion in each instance, rates may not be fixed for periods expiring after the maturity date of the loans. In the event CoBank so consents and the Commitment is not renewed, then each balance so fixed shall be due and payable on the last day of its fixed rate period, and the promissory

note set forth below shall be deemed amended accordingly. All elections provided for herein shall be made telephonically or in writing and must be received by 12:00 noon Company's local time. Interest shall be calculated on the actual number of days each loan is outstanding on the basis of a year consisting of 360 days and shall be payable monthly in arrears by the 20th day of the following month.

SECTION 5. PROMISSORY NOTE. The Company promises to repay the unpaid principal balance of the loans on the first CoBank business day following the last day of the term of the Commitment. In addition to the above, the Company promises to pay interest on the unpaid principal balance of the loans at the times and in accordance with the provisions set forth in Section 4 hereof. This note replaces and supersedes, but does not constitute payment of the indebtedness evidenced by, the promissory note set forth in the Supplement being amended and restated hereby.

SECTION 6. COLLATERAL INSPECTIONS. Permit CoBank or its representatives, agents or independent contractors, during normal business hours or at such other times as CoBank and the Company may agree to: (a) inspect or examine the Company's properties, books and records; (b) to make copies of the Company's books and records; and (c) discuss the Company's affairs, finances and accounts with its officers, employees and independent certified public accountants. Without limiting the foregoing, the Company will permit CoBank, through an employee of CoBank or through an independent third party contracted by CoBank, to conduct on an annual basis a review of the collateral covered by the Security Agreement. The Company further agrees to pay to CoBank a collateral inspection fee (not to exceed $500.00 a day per reviewer) and reimburse CoBank all reasonable costs and expenses incurred by CoBank in connection with such collateral inspection reviews performed by CoBank employees or its agents.

IN WITNESS WHEREOF, the parties have caused this Supplement to be executed by their duly authorized officers as of the date shown above.

CoBANK, ACB	CALAVO GROWERS OF CALIFORNIA
By: ----------------------------	By: /s/ EGIDIO CARBONE
Title: --------------------------	Title: Vice President
	6/20/00
	By: /s/ S.H. RUNGE
	Title: Treasurer
	6/21/00

NOTICE TO BORROWER

THE FOLLOWING DISCLOSURE RELATES TO THE AT RISK NATURE OF THE EQUITY INVESTMENT REQUIRED AS A CONDITION TO AN EXTENSION OF CREDIT. PLEASE READ THESE MATERIALS CLOSELY WHEN EVALUATING THE PROPOSED CREDIT TERMS.

You have received, or the bank has made available to you, the bank's most recent annual report, the most recent quarterly report, a copy of the Bylaws, and a copy of the current Capital Plan.

As a condition to the extension of credit, borrowers are required to own equity in the bank. Equity ownership requirements are established by the board of directors from time to time as set forth in the Capital Plan. Currently the Capital Plan requires each active stockholder to own a minimum investment of the bank's capital of $1,000 or 2 percent of the loan, whichever is less. After this minimum level is achieved, all future capitalization requirements will be made through retained patronage earnings and no additional out-of-pocket equity purchases beyond the initial investment will be required. Equity of owners whose current investment is above target level will be available for retirement until the target equity level is reached. The Capital Plan may be amended from time to time by the board of directors. Such amendments may increase the amount of capital required to be invested to maintain a loan.

Equity will be retired and patronage distributions will be made in accordance with the Bylaws and Capital Plan, as may be amended from time to time. ALL EQUITY IN THE BANK: (1) IS RETIREABLE ONLY AT THE DISCRETION OF THE BOARD OF DIRECTORS AND THEN ONLY IF MINIMUM CAPITAL STANDARDS ESTABLISHED BY LAW ARE MET; AND (2) IS AN INVESTMENT IN THE BANK THAT IS AT RISK AND SHOULD NOT BE CONSIDERED EQUIVALENT TO A COMPENSATING BALANCE. AT PRESENT, THE BANK MEETS ITS MINIMUM CAPITAL STANDARDS AND KNOWS OF NO REASON WHY IT SHOULDN'T CONTINUE TO MEET THOSE STANDARDS ON THE BANK'S NEXT EARNINGS DISTRIBUTION DATE.

EXHIBIT 10.13

CALAVO SUPPLEMENTAL EXECUTIVE RETIREMENT AGREEMENT

THIS AGREEMENT is made this 11 day of March, 1983 by and between Calavo Growers of California, a California corporation (the "Company") and Egidio Carbone (the "Executive") because the Company has adopted this Agreement as the form of the Calavo Supplemental Executive Retirement Plan and because the Company desires to secure the Executive's future services by providing additional retirement compensation.

The parties to this Agreement agree as follows:

1. DEFINITIONS.

1.1 Average Final Base Salary means the Executive's average annual salary (excluding bonuses and other non-regular forms of compensation) over the five year period ending on the January 31st next preceding the earlier of (i) the Retirement Date, (ii) the date of the Executive's death, or (iii) the termination of this Agreement.

1.2 Beneficiary means the person or persons designated as such in accordance with Section 4 of the Agreement.

1.3 Death Benefit Eligibility Date means the date on which the Executive has both attained age 55 and has completed at least 2 Years of Service.

1.4 Disability means any cessation of the Executive's employment with the Company as a result of a physical or mental condition which prevents the Executive from performing the normal duties of his or her current employment. The Company, in its complete and sole discretion, shall determine an Executive's Disability. If the Executive makes application for disability benefits under the Social Security Act, as now in effect or as hereafter amended, and qualifies for such benefits, he shall be presumed to qualify as totally and permanently disabled under this Plan. The Company may require that the Executive submit to an examination, by a competent physician or medical clinic selected by the Company, on an annual basis to confirm Disability. On the basis of such medical evidence, the determination of the Company as to whether or not a condition of total disability exists or continues shall be conclusive.

1.5 Early Retirement means the Executive's Termination of Employment on or after attaining age 62, having completed at least 7 Years of Service.

1.6 Normal Retirement means the Executive's Termination of Employment on or after attaining age 65, having completed at least 10 Years of Service.

1.7 Retirement Date means the date on which the Executive commences Early or Normal Retirement.

1.8 Termination of Employment means the Executive's ceasing to be employed by the Company for any reason whatsoever, voluntary or involuntary, other than by reason of Disability prior to qualification for Early Retirement or death.

1.9 Years of Service means the cumulative consecutive years of continuous full-time employment with the Company in the capacity of Vice President, beginning on the date the Executive begins service in such capacity, and each anniversary thereafter.

2. BENEFITS.

2.1 Normal Retirement Benefit. Upon Normal Retirement, as long as the Executive continues to comply with the conditions set forth in Section 3 below, the Company will pay to the Executive during his life a monthly benefit, commencing on the first day of the month following the Retirement Date, equal to 20% of the Executive's Average Final Base Salary divided by twelve and reduced by an amount equal to the Social Security benefits which the Executive is entitled to receive for the month in which the payment is made, excluding any Social Security benefits paid on behalf of the Executive's spouse or dependents (i.e. primary insurance benefits only). Such benefits will be paid as compensation for services rendered prior to the Retirement Date.

2.2 Early Retirement Benefit. Upon Early Retirement, as long as the Executive continues to comply with the conditions set forth in Section 3 below, the Company will pay to the Executive during his life a monthly benefit, commencing on the first day of the month following the Retirement Date, equal to the actuarially determined equivalent (as determined by the Company by using the Pension Benefit Guarantee Corporation immediate interest rate as in effect on the Retirement Date) of the Normal Retirement benefit of 20% of the Executive's Average Final Base Salary divided by twelve. Such Benefit shall be further reduced by an amount equal to the Social Security benefits, if any, which the Executive is entitled to receive for the month in which the payment is made, excluding any Social Security benefits paid on behalf of the Executives spouse or dependents (i.e. primary insurance benefits only). Such benefits will be paid as compensation for services rendered prior to the Retirement Date.

2.3 Disability Benefit. If the Executive suffers Disability prior to qualification for Early Retirement, the Executive shall continue to accrue Years of Service for purposes of this Agreement during Disability until he qualifies for Early Retirement

except that in calculating Average Final Base Salary, the Years of Service accrued during the Disability Period shall not be included.

2.4 Pre-Retirement Death Benefit. In the event of the Executive's death after the Death Benefit Eligibility Date and prior to the Retirement Date, the Company will pay to the Beneficiary for 10 years a monthly benefit commencing on the first day of the month following the Executive's death, equal to 10% of the Executive's Average Final Base Salary divided by twelve.

3. CONDITIONS RELATED TO BENEFITS.

3.1 Requirement of Noncompetition. During the three year period following the Retirement Date, the Executive agrees not to engage or participate (as a partner, shareholder, director, officer, employee, agent, representative or independent contractor, or in any other capacity calling for the making of an investment or the performance of services) in any business which markets the same commodities marketed by the Company or is otherwise competitive with the business of the Company.

3.2 Rights on Termination of Employment. Except as expressly provided in this Plan, the Company will not be required or be liable to make any payments under this Agreement subsequent to the Executive's Termination of Employment with the Company.

3.3 No Right to Company Assets. The benefits paid under this Agreement will be paid from the general funds of the Company, and the Executive and his beneficiaries will be no more than unsecured general creditors of the Company with no special or prior right to any assets of the Company for payment of any obligations hereunder.

3.4 Amendment or Termination of Agreement. Prior to the Retirement Date, the Company may amend, alter, modify or terminate the Agreement after giving the Executive 60 days notice. If at the time of such notice, the Executive qualifies for Early or Normal Retirement, the Executive may elect to retire during the 60 day notice period and if the Executive so elects the Company shall not thereafter amend, alter, modify or terminate the Agreement. If the Company terminates the Agreement prior to the Retirement Date and the Executive does not elect or does not qualify for Early or Normal Retirement, the Company will pay to the Executive upon termination of the Agreement an amount equal to 4% of the Executive's Average Final Base Salary multiplied by that number of complete and fractional years between the inception of this Agreement and the date of its termination up to a maximum of 10 years.

3.5 Protective Provisions. The Executive will cooperate with the Company by furnishing any and all information requested by the Company, in order to facilitate the payment of benefits hereunder, taking such physical examinations as the Company may deem necessary and taking such other actions as may be requested by the Company. If the Executive refuses to so cooperate, the Company will have no further obligation to the Executive under this Agreement. In the event of the Executive's suicide during the first two years of this Agreement or if the Executive makes any material misstatement of information or non-disclosure of medical history, then no benefits will be payable to the Executive under the Agreement, except that benefits may be payable in a reduced amount in the Company's sole discretion.

4. BENEFICIARY DESIGNATION.

The Executive will have the right, at any time, to designate any person or persons as Beneficiary (both primary and contingent) to whom payment of benefits under this Agreement will be made in the event of the Executive's death. The Beneficiary designation will be filed in writing with the Company during the Executive's lifetime on a form prescribed by the Company.

The filing of a Beneficiary designation will cancel all prior Beneficiary designations. Any finalized divorce or marriage (other than a common law marriage) of the Executive subsequent to the date of a Beneficiary designation will revoke such designation, unless, in the case of divorce, the previous spouse was not designated as Beneficiary and unless, in the case of marriage, the Executive's new spouse has previously been designated as Beneficiary. The spouse of a married Executive domiciled in a community property jurisdiction must join in any designation of a Beneficiary other than the spouse.

If the Executive fails to designate a Beneficiary as provided above, or if the Beneficiary designation is revoked by marriage, divorce, or otherwise, without execution of a new designation, or if every person designated as Beneficiary predeceases the Executive or dies prior to distribution of the Executive's benefit, then the Company will direct the distribution of such benefits to the Executive's estate.

5. MISCELLANEOUS.

5.1 Nonassignability. The benefits provided under this Agreement may not be alienated, assigned, transferred, pledged or hypothecated by any person, at any time, or to any person whatsoever. These benefits will be exempt from the claims of

creditors or other claimants and from all orders, decrees, levies, garnishment or executions to the fullest extent allowed by law.

5.2 Withholding. The Executive and any Beneficiary will make appropriate arrangements with the Company for satisfaction of any federal, state or local income tax withholding requirements and social security or other employee tax requirements applicable to the payment of benefits under this Agreement. If no other arrangements are made, the Company may provide, at its discretion, for such withholding and tax payments as may be required.

5.3 Applicable Law. This Agreement will be governed by the laws of California except where preempted by the Employee Retirement Income Security Act of 1974, as amended.

The undersigned have entered into this Agreement as of the day and year first above written.

Calavo Growers of California

By /s/ LECIL E. COLE

Its Chairman of the Board

/s/ Egidio Carbone

the "Executive"

EXHIBIT 10.14

[CALAVO LOGO]

AMENDMENT TO THE

CALAVO GROWERS OF CALIFORNIA

SUPPLEMENTAL EXECUTIVE RETIREMENT AGREEMENT

THIS AGREEMENT is made effective November 9, 1993 by and between Calavo Growers of California (the "Company") and Egidio Carbone (the "Executive"). The parties agree that the Calavo Supplemental Executive Retirement Agreement (the "SERP"), effective March 11, 1989 by and between the Company and the Executive, is hereby amended as follows.

Paragraphs 2.1 and 2.2 of the SERP are hereby amended to insert the following language prior to the last sentence of each Paragraph:

> In the alternative, the Executive may elect to receive the actuarially determined equivalent (as determined by the Company by using the Pension Benefit Guarantee Corporation immediate interest rate as in effect on the Retirement Date) of such life annuity, if the Executive is married on the retirement Date, in the form of a joint and survivor annuity over the life of the Executive and his/her spouse. Any election or change of election regarding the form of benefit must be made prior to the date on which the Executive attains age 61. The Company, in its sole discretion, may allow an Executive to change an election regarding the form of benefit after age 61 if the Company determines that there are extenuating circumstances justifying such change.

All other terms and provisions of the SERP shall continue with the same force and effect and the notice of amendment required by paragraph 3.4 of the SERP is hereby waived by the parties hereto.

The undersigned have entered into this Agreement as of the date written above.

EGIDIO CARBONE	CALAVO GROWERS OF CALIFORNIA
Signature: /s/ EGIDIO CARBONE	By: /s/ LECIL E. COLE
Date: 12/15/93	Date: 12/14/93

EXHIBIT 21.1

SUBSIDIARIES OF CALAVO GROWERS OF CALIFORNIA

The subsidiaries of Calavo Growers of California are listed below. Each subsidiary is wholly owned by Calavo Growers of California.

Name	Jurisdiction of Incorporation
Calavo Foods, Inc.	California
Calavo Growers, Inc.	California
Calavo de Mexico S.A. de C.V.	Mexico
Calavo Foods de Mexico S.A. de C.V.	Mexico

EXHIBIT 23.2

INDEPENDENT AUDITORS' CONSENT

We consent to the use in this Registration Statement of Calavo Growers, Inc. on Form S-4 of our report dated December 14, 2000, except for the second paragraph of Note 14, as to which the date is February 20, 2001, on the financial statements of Calavo Growers of California and subsidiaries as of October 31, 2000 and 1999 and for each of the three years in the period ended October 31, 2000, appearing in the Information Statement/Prospectus, which is part of this Registration Statement, and of our report dated December 14, 2000 relating to the financial statement schedule of Calavo Growers of California and subsidiaries, appearing elsewhere in this Registration Statement.

We also consent to the use in this Registration Statement of Calavo Growers, Inc. on Form S-4 of our report dated April 20, 2001 on the balance sheet of Calavo Growers, Inc. as of January 31, 2001, appearing in the Information Statement/Prospectus, which is part of this Registration Statement.

We also consent to the reference to us under the heading "Experts" in such Information Statement/Prospectus.

/s/ DELOITTE & TOUCHE LLP

Costa Mesa, California
April 20, 2001

EXHIBIT 99.1

BALLOT

CALAVO GROWERS OF CALIFORNIA

CONVERSION TO A FOR-PROFIT CORPORATION

The undersigned is a shareholder of Calavo Growers of California ("CALAVO") and has received and reviewed the Information Statement/Prospectus that accompanies this Ballot, including, without limitation, the Agreement and Plan of Merger and Reorganization (the "MERGER AGREEMENT") between Calavo and Calavo Growers, Inc., a corporation organized under the California General Corporation Law ("NEW CALAVO"). Pursuant to the Merger Agreement, Calavo will merge into New Calavo, and shareholders of Calavo will become shareholders of New Calavo.

The undersigned votes and consents as follows with respect to the Merger Agreement and the proposed conversion of Calavo from a California nonprofit cooperative association into a California for-profit corporation organized under the California General Corporation Law on the terms and conditions described in the Information Statement/Prospectus and the Merger Agreement:

[ ] FOR [ ] AGAINST [ ] ABSTAIN

Please mark, sign and date this Ballot and then return it in the enclosed envelope no later than , 2001 to Calavo's Corporate Secretary at 2530 Red Hill Avenue, Santa Ana, California 92705. If you are signing this Ballot as a general partner, corporate or limited liability company officer, attorney-in-fact, executor, administrator, trustee or guardian, please indicate your title and send proper evidence of authority (e.g., certified resolutions, copy of trust agreement, etc.). If shares are held by joint tenants, both persons should sign this Ballot.

This Ballot is subject to all of the terms and conditions described in the Information Statement/Prospectus and the Merger Agreement. As described therein, the Board of Directors has authority to elect not to proceed with the conversion even if it is approved by Calavo's shareholders. This Ballot is solicited by Calavo's Board of Directors and will be voted in the manner that you direct.

Dated: ----------, 2001

(Signature)

(Print Name)

(Print Title, if Applicable)

EXHIBIT 99.2

RESTATED ARTICLES OF INCORPORATION
OF
CALAVO GROWERS OF CALIFORNIA

ARTICLE I
NAME

The name of this association is CALAVO GROWERS OF CALIFORNIA (the "Association").

ARTICLE II
PURPOSES

The primary purpose for which the Association is formed is to pack, process and market agricultural products produced by its members and to return to its members the proceeds of sale, less expenses, on the basis of the quantity or value or both of such products marketed for its members. In carrying out its primary purpose and as further incidental purposes, the Association shall have every power, privilege, right and immunity now or hereafter authorized or permitted by law to a corporation organized or existing pursuant to the provisions of Chapter 1, Division 20, of the Food and Agricultural Code of the State of California and all amendments thereto and all substitutions therefor and all continuances thereof. Nothing herein contained shall be deemed to limit the right or power of the Association to do any lawful act that the Board of Directors shall determine.

ARTICLE III
PRINCIPAL OFFICE

The principal office for the transaction of business of the Association is to be located in Orange County, California.

ARTICLE IV
PERIOD OF EXISTENCE

The Association shall have perpetual existence.

ARTICLE V
DIRECTORS

The number of directors of the Association shall be fifteen, provided that Bylaws subsequently may be adopted or amended whereby a different number of directors may be fixed, in which event the number of directors shall be as provided in the Bylaws.

ARTICLE VI
NONPROFIT COOPERATIVE ASSOCIATION

The Association is organized and exists as a nonprofit cooperative association pursuant to the provisions of Chapter 1 of Division 20 of the Food and Agricultural Code of the State of California.

ARTICLE VII
MEMBERS

The Association may admit such individuals, corporations, associations and other entities as members as are permitted to be members under applicable law. As a condition and evidence of membership, each member shall own one or more shares of the Association's Common Stock, the minimum number of shares to be established by the Board of Directors. The Association may establish such additional conditions for membership as shall be fixed and determined by the Board of Directors as provided in the Bylaws.

In the event that the membership of any member shall terminate for any reason, such member shall not thereby become entitled to demand or receive any payment from the Association but shall be entitled only to receive payment of any interest in revolving fund credits and other allocated reserves as and when the same would have been paid had he or she remained a member.

ARTICLE VIII
AUTHORIZED CAPITAL STOCK

A. CLASSES OF STOCK.

The Association is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares of Common Stock that the Association is authorized to issue is 10,000,000, with a par value of $1.00 per share and an aggregate par value of $10,000,000. The total number of shares of Preferred Stock that the Association is authorized to issue is 10,000,000, with a par value of $1.00 per share and an aggregate par value of $10,000,000.

The rights, preferences, privileges and restrictions granted to or imposed on the Common Stock and the Preferred Stock or their holders are described in the following provisions of this Article VIII.

B. VOTING RIGHTS.

Each holder of Common Stock shall be entitled to one vote on each matter that is submitted to a vote of shareholders, regardless of the number of shares of Common Stock or Preferred Stock that are owned by such holder. Preferred Stock shall have no voting rights on any matter.

C. DIVIDENDS.

Dividends may be paid on the Common Stock and the Preferred Stock when, if and as declared by the Association's Board of Directors out of any funds of the Association that are legally available for the payment of such dividends and that are attributable to earnings from business not conducted on a nonprofit cooperative basis with members of the Association or other patrons. Any and all dividends shall be declared and paid in equal amounts per share on each share of Common Stock and Preferred Stock.

D. LIQUIDATION PREFERENCE.

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Association, any assets that may remain after payment in full of the indebtedness of the Association, including, without limitation, that evidenced by any revolving fund credits, other allocated reserves and undistributed patronage earnings, shall be distributed as follows:

1. Each holder of Preferred Stock shall be entitled to receive, prior and in preference to any distribution of any assets of the Association to the holders of Common Stock by reason of their ownership of Common Stock, the amount of $1.00 for each share of Preferred Stock owned by such holder plus all previously declared but unpaid dividends on each such share.

2. The holders of Common Stock shall share in any remaining assets of the Association on a pro rata basis in accordance with the number of shares of Common Stock owned by each such holder.

E. CONVERSION OF COMMON STOCK INTO PREFERRED STOCK.

On the first anniversary of the termination of his or her membership in the Association for any reason, each share of Common Stock that a terminated member owns as of such date shall automatically be exchanged for and converted into one share of Preferred Stock issued by the Association without the payment of any consideration therefor by such terminated member. The Association and the terminated member shall execute and deliver any documents that the Board of Directors determines are necessary or appropriate in order to evidence such transaction.

F. CONVERSION OF PREFERRED STOCK INTO COMMON STOCK.

Any member of the Association who owns any shares of Preferred Stock may, at time prior to the Association's delivery to such member of written notice of its intent to redeem such shares pursuant to Section G of this Article VIII, give the Association written notice of his or her desire to exchange and convert some or all of such shares for an equal number of shares of Common Stock issued by the Association without the payment of any consideration therefor by such member. The Association and the member shall execute and deliver any documents that the Board of Directors

determines are necessary or appropriate in order to evidence such exchange and conversion, and such transaction shall be deemed to have been completed as of the date that the member delivers to the Association all such documents as are required by the Association. A nonmember of the Association who owns shares of Preferred Stock shall not be entitled to exercise such exchange and conversion privilege.

G. REDEMPTION OF PREFERRED STOCK.

At its option, the Association may from time to time redeem any or all of the outstanding shares of Preferred Stock by paying in cash or by check $1.00 per share plus any and all previously declared but unpaid dividends on such share to and including the redemption date. The Association shall give each shareholder whose shares are being redeemed at least ten days' written notice of the redemption date and of the number of shares that are to be redeemed by the Association. If fewer than all outstanding shares of Preferred Stock are to be redeemed, the shares to be redeemed shall be selected on a prorated basis or on another basis approved by the Board of Directors in its discretion. Shares of Preferred Stock that have been called for redemption may not be transferred prior to the redemption date, and such shares shall not bear any dividends or have any other rights after their redemption. The Association and the holder of the redeemed Preferred Stock shall execute and deliver any documents that the Board of Directors determines are necessary or appropriate in order to evidence such redemption.

H. OWNERSHIP AND TRANSFER RESTRICTIONS.

The Association shall issue shares of Common Stock only to members of the Association. The Association may issue shares of Preferred Stock to members of the Association or to nonmembers of the Association. Except for the issuance of Preferred Stock to a terminated member in exchange for Common Stock pursuant to Section E of this Article VIII, the Association shall not issue any shares of Preferred Stock to members or nonmembers without the prior approval of a majority of the holders of its Common Stock.

A shareholder may sell or otherwise transfer shares of Common Stock or Preferred Stock only to the Association or to members of the Association. In addition, except as otherwise expressly provided in these Restated Articles of Incorporation or in the Bylaws, no share of Common Stock or Preferred stock may be sold, assigned, alienated, encumbered or otherwise transferred, whether voluntarily or involuntarily or by operation of law or otherwise, without the consent of the Board of Directors. In order to secure any indebtedness owed to the Association by a holder of Common Stock or Preferred Stock, the Association shall have a lien on any dividends that are paid on Common Stock or Preferred Stock and the Association shall have a lien on any proceeds from the sale or other transfer of any shares of such stock. Transfers of Common Stock and Preferred Stock shall be subject to any additional limitations that may be set forth from time to time in the Bylaws.

1. ADJUSTMENTS.

If the number of outstanding shares of Common Stock is increased or decreased by reason of a recapitalization, stock dividend, stock split, reverse stock split or other similar transaction, an appropriate and proportionate adjustment shall be made to the number of then-outstanding shares of Preferred Stock. An appropriate and proportionate adjustment shall also be made to the amount of the liquidation preference described in Section D of this Article VIII and to the amount of the redemption price described in Section G of this Article VIII. The Board of Directors shall determine the adjustments to be made pursuant to the foregoing provisions, and its determination shall be final and conclusive.

ARTICLE IX
REVOLVING FUNDS

To provide funds for corporate purposes, revolving funds and other allocated reserves may be established by the Board of Directors in the manner provided in the Bylaws by retains from proceeds otherwise payable to the members or by other method of collection. Such revolving fund and other allocated reserve credits shall not be deemed to evidence, create or establish any property rights or interests in the Association. Such credits shall be payable at the times and in the manner determined and provided in the Bylaws.

ARTICLE X
LIABILITY OF DIRECTORS - INDEMNIFICATION

The liability of directors of the Association for monetary damages shall be eliminated to the fullest extent permissible under California law. The Association is authorized to provide indemnification of any director, officer or other agent (as defined in Section 317 of the California Corporations Code) for breach of duty to the Association and its shareholders through Bylaw provisions, agreements, votes of shareholders or disinterested directors, or otherwise, in excess of the indemnification expressly permitted by said Section 317, subject, however, to the limits on excess indemnification set forth in Section 204 of the California Corporations Code.

EXHIBIT 99.3

BYLAWS OF CALAVO GROWERS OF CALIFORNIA

ARTICLE I GENERAL

SECTION 1.01 PURPOSES AND POWERS

Calavo Growers of California (the "Association") is a nonprofit cooperative association organized under the provisions of Chapter 1 of Division 20 of the Food and Agricultural Code of California. As provided in the Articles of Incorporation, the primary purpose of the Association is to pack, process and market avocados produced by its members and to perform such services at cost on a nonprofit cooperative basis. The Association also has broad incidental purposes and powers, which include but are not limited to purposes and powers which enable it to:

(a) Engage in any activity in connection with the marketing, selling, preserving, picking, harvesting, drying, processing, manufacturing, canning, packing, grading, storing, handling, shipping, transporting, or utilization of any avocados and any other products produced or delivered to it by its members; or the manufacturing or marketing of the by-products thereof; or any activity in connection with the purchase, hiring, or use by its members of supplies, machinery or equipment, or in the financing of any such activities.

(b) Act as the agent or representative of any member or members in any of the above-mentioned activities.

(c) Levy assessments in the manner and in the amount hereinafter provided.

(d) Use or employ any of its facilities for any purpose, provided the proceeds arising from such use and employment shall go to reduce the cost of operation for its members.

(e) Do each and every thing necessary, suitable or proper for the accomplishment of any of the purposes or conducive to or expedient for the interest or benefit of the Association and contract accordingly; and, in addition, exercise and possess all powers, rights and privileges necessary or incidental to the purposes for which the Association is organized or to the activities in which it is engaged; and, in addition, any other rights, powers and privileges granted by the laws of California to ordinary corporations, except such as are inconsistent with Chapter 1 of Division 20 of the Food and Agricultural Code of California; and do any such thing anywhere.

(f) Delegate any or all of said purposes or powers through the appointment of an agent or agents or otherwise. Provided, however, that the products handled for or the services, machinery, equipment, supplies, or facilities furnished to nonmembers shall not exceed in value the products handled for or the services, machinery, equipment, supplies, or facilities furnished to members during the same period.

ARTICLE II
MEMBERS & ASSOCIATES

SECTION 2.01 ELIGIBILITY

(a) Any person engaged as a farmer in the production of avocados to be processed, marketed, or otherwise handled from time to time by or through the Association is eligible to apply for membership.

(b) As a condition of membership, each member shall own one or more shares of the common stock of the Association. The Board of Directors may establish such additional conditions for membership as it may from time to time deem desirable to promote the efficient and economical conduct of the business of the Association and its members, including but not limited to establishing a requirement of ownership of a minimum number of shares of the common stock of the Association. The Board shall have the right, in its absolute discretion, to refuse membership to any applicant which in its opinion does not meet the conditions so established.

SECTION 2.02 ADMISSION OF MEMBERS

Application for membership shall be in such form as may be adopted by the Board of Directors. Upon acceptance of an application, the Board of Directors shall issue a certificate of membership. Unless otherwise provided, a copy of the completed membership application executed on behalf of the Association to indicate acceptance shall constitute such membership certificate.

SECTION 2.03 OBLIGATION OF MEMBERS

Every person upon becoming a member of the Association by such act agrees to be bound and to abide by all of the provisions of the Articles of Incorporation, the Bylaws, any marketing agreement to which such member is a party, and any rules and regulations of the Association, all as in effect at the time of application for membership and as thereafter adopted or amended.

SECTION 2.04 CO-OWNERSHIP

Whenever an agricultural enterprise is owned by more than one person, whether as co-tenants, joint tenants, partners, an unincorporated association, community property of husband and wife, or otherwise, all those owning such right may collectively be admitted to membership in the names of all of them, or in such name, fictitious or otherwise, as they may have adopted or desire for the transaction of their business or as their collective name. All such co-owners collectively shall be deemed a single member possessing and enjoying the rights of one member.

SECTION 2.05 PAYMENTS AND RIGHTS OF SURVIVORSHIP OF CO-OWNERS

(a) Whenever any amount is payable from the Association to co-owners, it may be paid to one or more or all of them at the Association's election. In the event of the death of a co-owner, any amount which was payable to the co-owners immediately prior to such death shall be payable to one or more or all surviving co-owners at the election of the Association. Payment in accordance with the foregoing shall constitute full satisfaction of the indebtedness of the Association.

(b) Death of one co-owner shall not terminate the membership of the surviving co-owners, and the surviving co-owners shall continue as one member unless and until the membership is otherwise terminated as hereinafter provided. The provisions of Section 2.08 below shall not apply in the case of death of less than all of the co-owners.

(c) The provisions of this Section and Section 2.04 apply and control the rights and liabilities of the Association to co-owners who are members, but are not intended to affect or establish any rights, liabilities, or relations of co-owners as between themselves.

SECTION 2.06 REPRESENTATION

If a member is other than a single natural individual, such member may be represented and the right of voting and assenting may be exercised by any individual, associate, officer, or manager or member thereof duly authorized in writing filed with the Association. In the absence of such written authorization, acceptance of membership shall constitute authorization for any one of the co-owners who constitute a single member, or any officer or manager of a corporation to represent such membership.

SECTION 2.07 TRANSFER OF MEMBERSHIP AND STOCK

(a) No membership, preferred or common stock of the Association, nor any membership right shall be assigned, transferred, alienated, or encumbered, either voluntarily or involuntarily or by operation of law or otherwise, without the consent of the Board of Directors. The Board of Directors may refuse any transfer which the Board determines is not in the best interests of the Association, and no member shall be entitled to compensation of any kind by reason of such refusal. Provided, however, that in the event of the death of a member, the membership shall be deemed transferred to the personal representative of such member and the personal representative shall continue to be bound by the deceased member's obligations, including the obligation of the member to deliver avocados to the Association, and shall be entitled to represent the estate as a member.

(b) In addition to the limitations and restrictions described in Section 2.07(a), no member or other individual, person, corporation, partnership, entity or group within the meaning of Section 13(d) of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder may hold (directly or indirectly) record or beneficial ownership of more than twenty percent of the total outstanding shares of the Association's preferred stock and the common stock, as the term "beneficial ownership" is used in Rule 13d-3 under the Securities Exchange Act of 1934. Furthermore, shares of preferred stock or common stock may not be transferred by a shareholder to a nonmember. Shares of preferred stock and common stock, and the holders of such stock, shall have and be subject to such additional rights, preferences, privileges and restrictions (including transfer restrictions) as are from time to time provided for in the Articles of Incorporation.

SECTION 2.08 TERMINATION OF MEMBERSHIP

Membership shall terminate upon occurrence of any of the following events:

(a) Termination of all marketing obligations by submission by the member to the Association or by the Association to the member of written notice or notices of termination of any and all Marketing Agreements pursuant to Section 7.08(b) of these Bylaws.

(b) Dissolution of the member, except as otherwise provided pursuant to Section 2.05 and 2.07 above.

(c) By a finding of the Board of Directors incorporated in a resolution duly adopted after reasonable notice and opportunity to be heard that the membership should be terminated for any one or more of the following reasons:

(i) That the member has ceased to be engaged in the production, or is no longer a commercial grower, of agricultural products handled by the Association,

(ii) That the member has failed to comply with the terms of these Bylaws, or any marketing agreement, or any rules and regulations of the Association; or,

(iii) That the member has ceased to own any shares of the common stock of the Association or has ceased to own the minimum number of shares of common stock established by the Board as a condition of membership.

(d) The membership of each member who does not consent to exchange his or her revolving fund credits and property rights for shares of common stock pursuant to the terms and conditions of the Association's plan of recapitalization automatically shall terminate on the effective date of the recapitalization. The effective date of the recapitalization shall be the date that amendments to the Articles of Incorporation which create classes of preferred and common stock are filed with the Secretary of State of the State of California. Subsequent to the effective date of the recapitalization, the Marketing Agreement described in Section 7.01 with each such nonconsenting member automatically shall terminate as of the end of the month in which the next anniversary date of such member's membership occurs.

SECTION 2.09 EXPULSION

Any member may be expelled by a three-fourths (3/4) vote of the authorized number of directors if termination of such membership is judged to be in the best interests of other members. Before vote upon a proposal to expel any member, such member shall be given notice and a fair and reasonable opportunity to be heard at a regular or special meeting of the Board of Directors. Any action of the Board hereunder shall be final and conclusive.

SECTION 2.10 RIGHTS ON TERMINATION

Persons whose membership in the Association has terminated for any reason, including withdrawal or expulsion, shall be entitled only to payment on account of their interest in the money and property of the Association in accordance with the following procedure and principles:

They shall receive payment on account of revolving fund credits and other allocated reserves, if any, at such times and in such order and manner as though they continued to be members. They shall receive (i) the proceeds from the sale of their common stock or preferred stock to other members or from any discretionary redemption of preferred stock by the Association and (ii) any dividends that the Association elects to pay on preferred and common stock. The foregoing reflects the intention that the value of membership shall relate solely to the right of the member to use the facilities and services on a nonprofit cooperative basis, that no member shall have any right on termination for any cause to receive from the Association any payment for any unrealized appreciation in the value of tangible or intangible assets of the Association, and that payment in the amounts and at the times determined as provided above shall be deemed repurchase of the entire interest of the member at the full value thereof.

SECTION 2.11 PROPERTY RIGHTS

The property rights and interest of members shall be determined and fixed in accordance with the provisions set out in Article VIII of the Articles of Incorporation.

SECTION 2.12 ASSOCIATE STATUS

The Board of Directors may admit to associate status nonmember producers of avocados who enter into agreements to market avocados through the Association. Associates shall not be entitled to vote or to own stock of the Association, but the Board of Directors may provide for nonvoting participation by associates in such meetings, communications and other functions as shall from time to time be determined by the Board of Directors.

ARTICLE III
MEMBERSHIP MEETINGS AND VOTING

SECTION 3.01 VOTING POWER OF MEMBERS

(a) The voting power of members shall be equal. Each member shall have one (1) vote without regard to the number of shares of stock of the Association standing on the books of the Association.

(b) Any member having avocado trees planted in orchards in more than one District, as hereinafter defined, shall be entitled to vote in the District specified in his application for membership; provided that if a member has more than one membership account the District specified in the earliest membership account or the largest acreage covered by multiple membership accounts of the same date shall control. On written request approved by the Board of Directors, a member may change such District to the District in which the member has the greatest production.

(c) Members shall not have the right to cumulate their votes.

(d) Following the termination of a member's membership in the Association for any reason, the terminated member shall execute and deliver to the Board of Directors an irrevocable proxy, in form and substance satisfactory to the Board of Directors, appointing the Board of Directors or its designee, with full power of substitution, as his or her proxy to vote or give written consent with respect to all shares of common stock owned by the terminated member on all matters that are voted upon by shareholders. The irrevocable proxy shall be executed and delivered promptly after receipt of a request for such proxy from the Board of Directors. Such irrevocable proxy shall continue in force and effect until the terminated member has transferred all of his or her shares of common stock to members, or converted such shares into shares of preferred stock, in accordance with the Articles of Incorporation and these Bylaws. Each member agrees that the proxy executed and delivered by him or her shall be coupled with an interest, shall be irrevocable and shall not be terminated by operation of law upon the occurrence of any event prior to the transfer or conversion of all of the member's shares of common stock described in the preceding sentence. Each member also agrees that the Association shall be entitled to pursue all applicable rights and remedies against him or her in the event that the member breaches the obligation described above to execute and deliver an irrevocable proxy upon a termination of membership.

SECTION 3.02 PLACE OF MEETINGS

All meetings of members, except District meetings, shall be held at the principal office of the Association or at such other place as the Board of Directors shall determine.

SECTION 3.03 ANNUAL MEETINGS OF ALL MEMBERS

The annual meeting of members shall be held between the first day of January and the last day of March of each year, and at such time of day, as the Board of Directors shall determine.

SECTION 3.04   SPECIAL MEETINGS OF ALL MEMBERS

Special meetings of members may be called by the Chairman of the Board, by a majority of the Board of Directors, or by the written request of members holding not less than twenty percent - (20%) of the voting power. Each such call shall be in writing and shall state the time, place and purpose of such meeting.

SECTION 3.05   DISTRICT MEETINGS FOR ELECTING DIRECTORS

A meeting of the members in each District, as hereinafter defined, shall be held between the last day of October in the year prior to the years in which the term of office of the director or directors for such District regularly expires, and the first day of February in the following year, for the purpose of electing a director or directors for such District. The date, time and place of each such District meeting shall be fixed by the Board of Directors. Each District may meet jointly with one or more other Districts at a location reasonably accessible to the members entitled to attend such District meetings.

SECTION 3.06   SPECIAL DISTRICT MEETINGS

Special meetings of the members in any District may be called by the Chairman of the Board, by a majority of the Board of Directors, or by the written request of members holding not less than twenty percent (20%) of the voting power in such District. Each such call shall be in writing and shall state the time, place and purpose of such meeting.

SECTION 3.07   NOTICE OF MEETINGS

Notice of any meeting of members shall be mailed at least ten (10) days in advance to all members entitled to vote at such meeting at their addresses appearing upon the books of the Association. Such notice shall generally describe the business to be transacted at the meeting and shall state the place, day and time of such meeting.

SECTION 3.08   QUORUM

At any meeting of the members, the votes represented in person or by proxy and being qualified to be cast shall constitute a quorum for all purposes, including the election of directors, except when it is otherwise provided by law.

SECTION 3.09   VOTING BY MAIL

Whenever authorized by these Bylaws or by the Board of Directors, a membership vote may be conducted by mail without the necessity of a meeting. In the case of the election of Directors, the candidate or candidates receiving the highest number of votes cast by mail shall be deemed elected. In the case of all other membership votes, to be effective, the total votes cast by mail shall be not less than a majority of the voting power of the membership.

SECTION 3.10   PROXY VOTING

Each member shall have the right to vote at a membership meeting or assent in writing, in person or by proxy, which proxy shall be in writing executed by the member or his duly designated representative and filed with the Secretary of the Association.

ARTICLE IV
BOARD OF DIRECTORS

SECTION 4.01 NUMBER, QUALIFICATIONS AND TERM OF OFFICE

(a) There shall be one director for each District, as hereinafter defined, plus one additional director, or a total of two directors, for each District in which the product of the number of members times the number of members' trees is equal to, or greater than, twice the average product of the number of members times the number of members' trees in all Districts as determined on the first day of each fiscal year. There may also be three directors-at-large.

(b) Except for Director-at-Large, each Director shall be a member of the District from which he is elected.

(c) The term of office for a director shall be two (2) years from the effective date of his election and until his successor has been elected and has accepted office. The effective date of election of a director shall be the date of the annual meeting in the year in which elected. The term of office of directors from odd numbered Districts shall expire in odd numbered years, and of directors from even numbered Districts in even numbered years. The offices of the directors-at-large shall be designated as number 1, 2 and 3 and each such term of office shall expire in an odd or even numbered year depending upon the number of the office.

SECTION 4.02 DISTRICTS DEFINED

The territory in which the Association has members shall be divided into not less than seven (7) nor more than twelve (12) districts. The boundaries and number of said Districts shall be defined by the Board of Directors who may revise, change and redefine the number and boundaries of said Districts from time to time provided that the resulting number of directors from such Districts shall be not less than seven (7) nor more than twelve (12). The Board of Directors shall adopt, and the Secretary shall certify, a map showing the boundaries of the Districts as thus defined. Said map shall be kept at the principal office of the Association for the purposes of determining any disputes concerning boundaries. The determination of the Board of Directors shall be conclusive as to the territory included in any District.

SECTION 4.03 NOMINATION OF DIRECTORS

Candidates for the position of director for any District may be nominated in the following ways:

The Board of Directors may appoint a nomination chairman for each district who will select his committee from growers in his district. Their recommendation will be presented to the members in attendance. Nominations may also be made by members from the door. Candidates may be nominated by submitting their name to the Secretary of the Association.

SECTION 4.04 ELECTION OF DIRECTORS

(a) Prior to the District meetings for electing directors for such Districts, the Board of Directors may select when not voting by mail for each District meeting from the members qualified to vote at such meeting, a chairman and a secretary respectively, who shall have charge of such meeting and such election. The candidate or candidates for director receiving the highest number of votes cast shall be deemed elected and shall serve until their successors are elected and the election is certified by the Board of Directors and ratified at the annual meeting of members. If the Board of Directors fails to select such District meeting officers or any officer selected by the Board fails or refuses to act, then the qualified voters at such meeting shall select one of themselves to fill such vacancy. Election may be made by mail ballot in which case the Secretary of the Association or other designated individual shall be responsible for tabulation of the results of ballots received.

(b) Immediately following each such District meeting, the said election officers shall certify in writing the result of such election. Such certificate shall be promptly transmitted, either by registered mail or personal delivery, to the Secretary of the Association at its principal office. The certificate shall show the names of the persons for whom votes were cast and the number of votes cast for each. With the certificate, there shall be transmitted all proxies used at the election. The certificate shall be preserved by the Association for at least five years thereafter.

(c) The Board of Directors shall, immediately following the District elections and prior to the annual meeting of members, meet and examine the returns made by the election officers of the several Districts and shall report the results of such District elections to the annual meeting of members at which meeting such results shall be ratified.

(d) In the event of any protest concerning the manner in which any District election shall have been held, the Board of Directors shall consider the same and determine such protest, and its action thereon shall be final. In the event the Board of Directors shall determine that the election in any particular District was not held substantially in the manner required by these Bylaws, it may, by resolution, order a new meeting and election to be held in said District, fix the time and place thereof and appoint the officers of such meeting and election. In the event of any special meeting and election, the Secretary shall mail notice in writing of such special meeting and election to each member qualified to vote in such District not less than five (5) days before the time fixed for the same, and such meeting and election shall be held in the manner herein before provided.

(e) Directors elected by members shall, prior to the annual meeting of members, meet and elect the director or directors at-large. The meeting of the directors for said purpose shall be held at the principal office of the Association at a time to be designated by the Chairman of the Board, or in his absence or failure to do so, the Vice-Chairman, or in his absence or failure to do so, the Secretary. Notice of the time of holding such meeting shall be mailed by the Secretary not less than five (5) days prior to such meeting. A majority of the directors elected by members shall constitute a quorum at such meeting. The names of the directors-at-large so elected shall be ratified by the members at the annual meeting.

SECTION 4.05 VACANCIES

(a) Vacancies on the Board of Directors may be filled by vote of a majority of the remaining directors, though less than a quorum. In filling a vacancy in the office of a director for any District, the new director shall be chosen from among the members in such District. Persons so elected shall hold office until their successors have been elected and have accepted office.

(b) Any director may be removed in the manner provided for by law.

(c) Any director who ceases to be a member, or who violates any contract with the Association in any particular, or who ceases to meet the requirements for eligibility of a director in any particular, shall cease to be a director as soon as the Board of Directors, by vote of two-thirds (2/3) of the authorized number of directors, makes such finding by resolution adopted after reasonable notice and opportunity to be heard.

(d) The members, at a duly called district meeting, may elect a director or directors at any time to fill any vacancy or vacancies not filled by the directors.

(e) No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of his term of office.

SECTION 4.06 ORGANIZATIONAL MEETING

A meeting of the Board of Directors shall be held immediately following the annual meeting of the membership, and at the same place, for the purpose of organization of the Board of Directors, election of officers of the Association and the transaction of any other business.

SECTION 4.07 REGULAR MEETINGS

In addition to the organizational meeting mentioned above, a regular meeting of the Board of Directors shall be held monthly at such time and place as the Board may determine.

SECTION 4.08 SPECIAL MEETINGS

A special meeting of the Board of Directors shall be held whenever called by the Chairman of the Board, any Vice Chairman of the Board or by any two (2) of the directors, or by action of the Board at a previously duly called meeting. Any and all business may be transacted at a special meeting. Except when called by action of the Board at a previous duly called meeting, all calls shall be in writing, signed by the persons making the call, setting forth the date, time, and place of the meeting, and addressed and delivered to the Secretary of the Association.

SECTION 4.09 NOTICE OF MEETINGS

Notice of meetings may be given by mailing a copy of such notice to a director, at the last known address of such director, at least four (4) days prior to the time of the meeting. Notice may also be given at least forty-eight (48) hours before the time set for the meeting by telegraph to a director at the last known address of such director, or by telephone to a director or a responsible person who the person telephoning believes in good faith will deliver such notice to the director. Notice shall contain a statement of the date, time, and place of the meeting and may be delivered in like

manner to all directors, or individual directors may be notified by some or any of the methods provided for herein.

SECTION 4.10   QUORUM AND ACTION

A majority of the authorized number of directors shall be necessary to constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors, unless a greater number be required by law.

SECTION 4.11   WAIVER OF NOTICE

When a quorum is present at a meeting of the Board of Directors, regardless of how called and noticed, such meeting shall be considered for all purposes as a meeting of the Board duly held after regular call and notice; provided, however, that before or after the meeting every member of the Board not present shall sign a written waiver of notice, consent to the holding of such meeting, or an approval of the minutes thereof. Such waiver, consent, or approval shall be made a part of the records of that meeting.

SECTION 4.12   ACTION WITHOUT A MEETING

Any action required or permitted to be taken by the Board of Directors may be taken without a meeting if all members of the Board of Directors shall individually or collectively consent in writing to such action; provided, however, that such written consent or consents shall be filed with the minutes of the proceedings of the Board of Directors.

SECTION 4.13   PARTICIPATION IN MEETINGS BY TELEPHONE

Directors may participate in any meeting of the Board through use of conference telephones or similar communications equipment, so long as all directors participating in such meeting can hear one another. Participation in a board meeting pursuant to this Section shall constitute presence in person at such meeting.

SECTION 4.14   COMPENSATION OF DIRECTORS

The directors shall receive no compensation for their services other than reimbursement for necessary traveling expenses (transportation, meals and lodging) and a reasonable per diem fixed by the Board of Directors for each day necessary for traveling to and from and for attendance at meetings.

ARTICLE V
POWERS AND DUTIES OF THE BOARD OF DIRECTORS

SECTION 5.01 GENERAL

Subject to the limitations of statutes of California, the Articles of Incorporation, and the Bylaws relating to action which shall be authorized or approved by the membership, all corporate powers shall be exercised by or under the authority of the Board of Directors. Without limiting such general power or powers expressly or impliedly vested in the Board of Directors by law or by provisions of the Articles of Incorporation and Bylaws, it is hereby expressly provided that the Board shall have the following powers:

(a) To select and remove all officers, agents, and employees of the Association, prescribe such powers and duties for them as may not be inconsistent with law, with the Articles of Incorporation or the Bylaws, fix their compensation, and require from them security for faithful service;

(b) To conduct, manage, and control the affairs and business of the Association, and to make and from time to time amend such rules and regulations therefore not inconsistent with law, the Articles of Incorporation or the Bylaws;

(c) To borrow money and incur indebtedness for the purposes of the Association, and to cause to be executed and delivered therefore, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations, or other evidence of debt and securities therefor;

(d) To appoint an Executive Committee and other committees, and to delegate to the Executive Committee any of the powers and authority of the Board in the management of the business and affairs of the Association, except as otherwise provided by law;

(e) To install a system of bookkeeping and auditing for the purpose of fully advising the membership from time to time, but at least annually, by means of an independently audited financial statement, concerning the receipts and disbursements and financial condition of the Association;

(f) To invest accumulated funds of the Association in United States treasury certificates, certificates of deposit or other obligations of banks or savings and loans, and commercial paper, corporate bonds and debentures, and in stocks or other obligations of any corporation or association engaged in any related activity or in the processing or marketing of any of the products handled by the Association and the acquisition of which the Board believes will enhance the Association's ability to market the members' products;

(g) To fix and determine the method, amount, manner, and time of all assessments or deductions to cover all charges and expenses of the Association, and to fix and determine the amount of contributions required by each member to the capital required to operate the Association and the method, amount, manner, and time of assessment or deduction of such contributions and the repayment thereof;

(h) To enter into, observe, comply with, and assent to or dissent from, on behalf of those members of the Association who do not themselves assent or dissent, any prorate or marketing order, commission or agreement, stabilization plan, allotment, or code relating to the growing, processing, or marketing of any agricultural products marketed by the Association and to bind all members thereto.

SECTION 5.02 EXECUTIVE COMMITTEE

(a) There shall be an Executive Committee consisting of the Chairman of the Board and four directors, who shall be appointed by the vote of a majority of the authorized number of directors from their own number at the meeting of the Board of Directors to be held immediately following the annual meeting of the members. The Board by the vote of a majority of the authorized number of directors may designate one or more directors, not duly elected members of the Executive Committee, to be present at any particular meeting of the Executive Committee, with authority to serve in the place of any absent member of the Executive Committee at such meeting. The Executive Committee shall have all the functions and powers of the Board of Directors delegated to it by said Board except as otherwise provided by law, subject, moreover, to the general direction and control of the Board of Directors. A majority of the Executive Committee shall constitute a quorum for the transaction of all business. The Executive Committee may, by resolution, fix such dates for holding regular meetings as it shall see fit.

(b) Notice of all regular meetings of the Executive Committee, as may be provided for by resolution as authorized above, is hereby dispensed with and need not be given to the members of the Executive Committee.

(c) Special meetings of the Executive Committee shall be held whenever called by the Chairman of the Board, or by the Board of Directors, or by any three members of the Executive Committee. Notice of each special meeting of the Executive Committee shall be given in the manner provided for in Section 4.09 of these Bylaws.

(d) Any and all business may be transacted at any special meeting of the Executive Committee. The Secretary shall keep full and correct minutes of all meetings of the Executive Committee and of all business transacted thereat.

SECTION 5.03 OTHER COMMITTEES

The Chairman shall nominate and the Board of Directors shall appoint such nominees to such other committees as the Chairman deems appropriate.

ARTICLE VI
OFFICERS AND MANAGEMENT

SECTION 6.01 CORPORATE OFFICERS

(a) The officers of the Association shall be a Chairman of the Board, a Vice Chairman of the Board, a President, a Vice President, a Secretary, and a Treasurer. The Board of Directors may also appoint additional vice chairmen of the Board, additional vice presidents, and one or more assistant Secretaries, assistant Treasurers, and such other officers as the Board of Directors may see fit in its discretion to designate. Any one or more of the above offices may be occupied by one person, except that one person shall not serve as both President and Secretary. The Chairman of the Board shall be a director elected by the members. The other officers may be, but need not be, directors or members.

SECTION 6.02 POWERS AND DUTIES

Subject at all times to the control and direction of the Board of Directors, each officer shall have and exercise the powers and duties usual to the office; provided, however, that the President shall be the chief executive officer of the Association and, though subject to the general supervision of the President, the senior financial officer of the Association shall be directly responsible to the Board of Directors.

ARTICLE VII
MARKETING AGREEMENT

SECTION 7.01 INTRODUCTION

This Article expresses terms of an agreement between each member as a patron and the Association relating to the products which the member agrees to deliver to the Association for processing and marketing. Each member agrees by executing an Application for Membership and the Association agrees by acceptance of such Application to be bound by these terms, as amended from time to time. The provisions of this Article, together with all other relevant terms of the Articles of Incorporation, the Bylaws, rules and regulations of the Board of Directors, and any supplemental agreement or agreements, including the Application for Membership, all as amended from time to time, shall together constitute the terms of a Marketing Agreement.

SECTION 7.02 DELIVERY FOR MARKETING

(a) Each member hereby sells and conveys and agrees to deliver to the Association and the Association agrees to purchase for the account of and as the common agent of its members all of the avocados grown or produced upon land now or hereafter owned by him, or which is in his possession as tenant, or under contract to purchase, or otherwise, except such avocados as may be retained for personal use or consumption by the member and except avocados of such varieties as the Board of Directors determines may not be economically handled and marketed. The Board of Directors in its discretion may determine that one or more varieties may not be economically handled and marketed because of the character of the fruit or because they are produced in relatively small quantity, and in such event may give prior written notice to each member known to be supplying or growing such variety or varieties at the address appearing upon the books of the Association. Notice shall also be published in the newsletter or other periodical of the Association. Thereafter, the Association may decline to purchase, handle, or market all avocados of such variety or varieties. Determination by the Board of Directors that one or more varieties may not be economically handled and marketed shall be final and conclusive upon all parties.

(b) The obligation of each member to deliver avocados shall commence upon the acceptance of his application for membership; provided, however, that the Board of Directors may accept any member upon the condition that his obligation to deliver fruit shall commence at such time subsequent to the acceptance of his membership as the Board may determine at the time of such acceptance, such time to be mutually agreed upon by such member and the Association, noted in the minutes of the Board of Directors, and such member notified in writing thereof; in that event delivery of avocados hereunder shall commence at the time so determined, and such member shall thereafter be under the same obligations and duties as though the obligation to deliver said fruit commenced upon the acceptance of his membership.

(c) Whenever requested by the Association to do so, each member agrees to mail to the Association at its principal office an estimate of the yield of avocados, covered by this Marketing Agreement.

(d) The time, place, manner and quantity of delivery of avocados shall be directed by the Association in order to enable it to properly receive, pack, and market the products of all of its members. The Association shall have the right, at reasonable hours, to inspect members' groves for the purpose of crop estimate and inspection.

(e) Each member agrees to deliver its products to such place as the Association may designate. All handling and marketing of the products of members shall be under the full and exclusive control of the Association, and its agents, employees, and representatives, and the Association shall have the full and unqualified right to take title to such products and process, sell, or otherwise dispose of or transfer them, and to sue on, enforce, and compromise any rights and claims arising out of any transaction involving such products. No member shall have any rights or shall exercise any control by virtue of having furnished any products, other than as may be expressly provided in these Bylaws or in any agreement with the Association.

(f) If a member surrenders actual control of production of all or any portion of avocado production by virtue of a bona fide sale or bona fide lease of an orchard or orchards prior to commencement of harvest, the member shall be released from the future obligation to market avocados produced on the property which has been sold or leased, provided the member notifies the Association as to any such sale or lease in advance of entering into such sale or lease and furnishes evidence satisfactory to the Board of a bona fide transaction not entered into to evade the obligation of this Marketing Agreement. If the Board determines that the proposed sale or lease is not such a bona fide transaction, the Board may require either (i) that the purchaser or lessee be admitted as a member and continue to market the production through the Association, (ii) that the member continue to perform the obligations of the Marketing Agreement as to the production in question until termination of the membership and Marketing Agreement as elsewhere provided in the Bylaws, or (iii) that the entire membership of the member be terminated.

SECTION 7.03 MARKETING

The Association agrees to receive, pack, market and sell the avocados delivered by members, at such prices and terms, in such form, and at such times as in its judgment and discretion it deems best for the interests of all members, and to pay to the members as payment in full the net proceeds received by the Association from the marketing of members' products less the retains as hereinafter provided, all as specified in these Bylaws and in the Association's rules and regulations. The Association may, from time to time, also reduce or eliminate the right and obligation to market products if the Board of Directors determines that for reasons beyond the Association's control, the Association cannot market the committed quantity of products on satisfactory terms. Any such reduction shall be applied pro rata to all members who are parties to Marketing Agreements covering such products.

SECTION 7.04 DETERMINATION, ALLOCATION AND PAYMENT OF NET PROCEEDS

(a) Net proceeds shall be determined by the Board of Directors by deducting from the gross proceeds cash advance payments to members, the costs of receiving, processing, manufacturing, handling, storing, transporting, advertising, and all other expenses of marketing. Expenses shall include, but not be limited to, all costs of administration, reasonable allowances for depreciation and bad debts, interest, and

losses (to the extent hereinafter provided). Gross proceeds from avocados transferred to a subsidiary of the Association to be processed into products other than fresh avocados shall be the transfer price determined in good faith to be the prevailing market price for comparable avocados for processing at the time of transfer to the subsidiary. The Association may also retain amounts from such net proceeds for reserves or revolving funds created as hereinafter provided. If at the end of the fiscal year of the Association the sum of the costs and expenses to be deducted from gross proceeds shall prove to be in excess of the gross proceeds, the difference shall, upon demand therefore, be paid by the members to the Association in proportion to the quantity or value or both of products delivered to the Association by each member during such fiscal year.

(b) The net proceeds of the Association from business done with or for its members shall be determined by the Board of Directors within eight and one-half (8-1/2) months after the close of each fiscal year and shall be allocated among the members according to the quantity or value or both of products delivered by each member in such fiscal year. The Association shall be obligated to pay the net proceeds in cash or qualified or nonqualified written notices of allocation not later than eight and one-half (8-1/2) months after the close of each fiscal year.

(c) The Association may pool the products of members and associates in one or more pools pursuant to a pooling plan or plans to be prescribed by the Board of Directors. Any such plan shall specify the conditions of eligibility of products, the methods of operation and all rules and regulations in connection therewith. Such pools shall open and close at such time as the Board may prescribe and the time for closing may be advanced or extended. Net proceeds from any such pool may be separately distributed in conformity with the provisions of this Section 7.04.

SECTION 7.05 LIENS

Notwithstanding any other provision of these Bylaws, the Association shall have a first lien upon all sums payable to the member or former member, as security for the payment to the Association of all sums owing from such member at any time, including any sum due as damages pursuant to any product purchase or other agreement, and the Association shall have the right but not the obligation to offset any such sum owing to the Association against any sum payable to the member, including but not limited to any net proceeds, credits standing on the books of the Association, ordinary or liquidating dividends payable on common or preferred stock, and amounts payable on the sale, redemption or other transfer of preferred or common stock. Such right of offset shall not be barred by the running of any statute of limitation against the indebtedness to be offset. Such right of the Association may be subordinated by appropriate written instructions when authorized by the Board of Directors. Members shall execute any documents required by the Association to implement or perfect its rights under this Section.

SECTION 7.06 MEMBERS' LABOR RELATIONS

Anything contained in these Bylaws or any agreement between the Association and its members notwithstanding, the Association shall have no control whatsoever over the labor relations policies or conduct or direction of labor relations of its individual members. Likewise, the individual members of the Association shall have no control whatsoever over the labor relations policies or the direction of labor relations of the Association and its employees.

SECTION 7.07 SPECIAL PROVISIONS FOR DELIVERY OF PRODUCTS

(a) The Association may make rules and regulations regarding handling and delivering of members' products and provide inspectors and graders to standardize, grade, and classify the products so delivered. The member agrees to observe and perform any such rules and regulations, to accept the grading and standards established by the Association, and to deliver products at such reasonable delivery dates and places as the Association may from time to time prescribe. The determination of the Association as to grade, standard, and classification, and differentials in prices, shall be conclusive.

(b) Should any member fail properly to harvest or deliver avocados to the Association, the Association may elect to do what may be necessary in that event, and may charge the cost thereof to such member, or may elect to decline acceptance of such avocados, and may decline acceptance of products not in the condition or not of the standard quality or grade as prescribed in the statutes of the State of California now in force or hereafter enacted and any rules or regulations made thereunder by any officer or governmental body having jurisdiction to make such rules and regulations, and may likewise decline to accept avocados not in conformity with such rules and regulations as may be adopted by the Board of Directors pursuant to these Bylaws with reference to the picking, grading, packing, transportation, shipment and delivery of products.

SECTION 7.08 TERMINATION OF MARKETING AGREEMENT

(a) The Marketing Agreement with each member shall continue in effect, subject to any legal limitations, unless terminated pursuant to Section 7.08(b) or unless membership is terminated pursuant to Section 2.08 of these Bylaws.

(b) Any member of the Association, or the Association, may terminate the Marketing Agreement by delivering thirty (30) day written notice of termination to the other party during the first twelve-month (12) period from the date of the application or after the first twelve-month (12) period between the first and fifteenth days of the month in which said member's anniversary date occurs. The Marketing Agreement shall thereafter terminate as to said member on the last day of the month following such notice. For purposes hereof, the anniversary date of each member shall be the date of acceptance of such member's membership application pursuant to Section 2.02 of these Bylaws.

(c) Notwithstanding anything to the contrary in these Bylaws, (i) the Association's Marketing Agreement with each member automatically shall terminate on the effective date of the Association's merger with Calavo Growers, Inc., a California corporation, and (ii) the membership of each member in the Association automatically shall terminate on the effective date of the merger. The effective date of the merger shall be the date that an agreement of merger between the Association and Calavo Growers, Inc. is filed with the Secretary of State of the State of California.

SECTION 7.09 REMEDIES FOR MEMBER'S BREACH

(a) The failure to deliver products as required herein will result in injury to the Association, and it would be extremely difficult and impracticable to fix the amount of damages which the Association or its members would suffer. Therefore, each member expressly agrees to pay to the Association, upon demand of the Association, the following amounts as liquidated damages for all avocados withheld, delivered, sold, consigned, or marketed by or for said member other than in accordance with the terms of the member's Marketing Agreement with the Association.

(i) One thousand dollars ($1,000.00),

(ii) Plus the operating retain rate per pound prevailing at the time of such action or inaction,

(iii) Plus forfeiture of any and all patronage dividends and nonpatronage dividends payable to such member by the Association at the time of such action or inaction and at any future time.

(b) If the Association prevails in any action brought by the Association against the member to enforce any provisions of the Marketing Agreement or to secure specific performance or to collect damages of any kind for any breach thereof, the member agrees to pay to the Association all costs of court, costs for bonds, and all other expenses arising out of or caused by the litigation, including reasonable attorneys' fees expended or incurred by the Association in any such proceeding, and all costs and expenses may be included in the judgment obtained in said action.

(c) The foregoing right to recover liquidated damages shall be in addition to all other remedies now or hereinafter available by law, but not limited to, the right to obtain an injunction, and said remedies shall be deemed cumulative and not exclusive.

SECTION 7.10 MARKETING AGREEMENTS WITH ASSOCIATES

The Association may enter into marketing agreements with nonmember producers as associates to market avocados for such associates on terms which provide that the associate will receive the same pool proceeds as members for comparable varieties, sizes and grades received during the same time period, and on such other terms approved by the Board as set out in separate marketing agreements executed by each such associate. Provided, however, the volume of business with associates shall be limited by Section 1.01(f) above.

ARTICLE VIII
REVOLVING FUND

SECTION 8.01 PURPOSE

The primary source of capital shall be the outstanding common and preferred stock. In addition, the Association may create and maintain a revolving fund for the purpose of having members furnish additional capital on an equitable patronage basis to effectuate the purposes of the Association. It may also, from time to time, create one or more additional allocated reserves for the same purposes by retains from proceeds otherwise payable to the members or by other method of collection, all as determined by the Board of Directors. The revolving fund shall be revolved and other allocated reserves shall be redeemed in such manner and at such times as the Board may determine.

SECTION 8.02 ADDITIONS TO REVOLVING FUND

Additions to the revolving fund shall be made by assessments or deductions from the net proceeds otherwise payable on products delivered by the members to the Association, as determined by the Board of Directors from time to time. Said assessments or deductions shall be apportioned among the members on the basis of the quantity or value or both, of products delivered by each of the members.

SECTION 8.03 REVOLVING FUND STATEMENT

Within eight and one-half (8-1/2) months after the close of each fiscal year, the Association shall furnish each member with a statement showing the amount of revolving fund and other allocated reserve credits standing on the books of the Association in the name of such member and the amount thereof which accrued during such fiscal year. In the event of a loss chargeable against revolving fund credits pursuant to Section 8.09 hereof, the same shall be furnished to all holders of revolving fund credits affected by such loss, whether or not they were members during such fiscal year.

SECTION 8.04 REDEMPTION

Whenever the Board of Directors determines, in its sole discretion, that the aggregate of all outstanding unpaid revolving fund credits exceeds the capital needs of the Association, such excess and subsequent additions shall be used to revolve out or redeem the oldest unpaid revolving fund credits. All such credits from the same fiscal year shall have the same priority; and if funds available are insufficient to pay all credits for a given fiscal year, a prorata payment may be made against all credits for that year or payment may be deferred until funds are available to pay in full all credits for such year.

SECTION 8.05 ASSIGNMENT OR TRANSFER

Revolving fund credits may be assigned or transferred at any time by execution of a written assignment thereof, on a form to be provided by the Association, and delivery thereof to the Secretary of the Association; provided, however, that no such transfer shall be complete until entered upon the books of the Association.

SECTION 8.06 NO ASSIGNMENT WHILE INDEBTED TO THE ASSOCIATION

No assignment or transfer of any revolving fund or other allocated reserve credit, whether voluntary or involuntary, by act of law or otherwise, can be made, nor will any purported assignment or transfer be of any effect against the Association, or affect its right of setoff as long as the person whose interest is to be assigned or transferred is indebted to the Association in any manner or for anything, whether such indebtedness be liquidated or unliquidated, due or not due; and the Association may withhold consent to and refuse to recognize or be bound by any assignment or transfer (whether voluntary or involuntary) as long as any indebtedness or liability exists, whether due or not due, liquidated or unliquidated; and the Association shall have and is given a prior lien upon and against the revolving fund or other allocated reserve credits of any member or person to secure any indebtedness or liability to the Association from such member or person with the right to set off the same against any monies becoming payable in respect of said credits. The Association may at any time set off against any of the revolving fund or other allocated reserve credits of any person an equal amount of any indebtedness of such person to the Association for which the Association is given a lien, as aforesaid, whether due or not, and in such event indebtedness on both sides in the same amount shall be deemed cancelled and satisfied.

SECTION 8.07 USE OF REVOLVING FUNDS

Monies contributed to the revolving fund or any allocated reserve by assessment or retain may be commingled with and used for corporate purposes as all other monies of the Association are used. Nothing herein contained shall be deemed to require that any specific monies or funds be segregated or set apart, nor shall any such fund be deemed a trust fund held for the owners of credits in such fund.

SECTION 8.08 PRIORITY OF CREDIT HOLDERS

Credits in the revolving fund or allocated reserves and the rights of credit holders shall be junior and subordinate to the rights of all creditors of the Association.

SECTION 8.09 LOSSES

In the event of a loss to the Association from any cause whatsoever, the Board of Directors may, if it finds such loss to be a substantial loss, in its sole discretion charge all or any part of said loss in the manner it determines to be equitable to any one or more of the following:

(a) Current corporate operating expenses;

(b) Future corporate operating expenses;

(c) Revolving fund and/or other allocated reserve credits for the fiscal year or years in which such loss was incurred, or to which it is attributable;

(d) All revolving fund and/or other allocated reserve credits for all years; and/or

(e) Unallocated reserves.

SECTION 8.10 DISSOLUTION

(a) In the event of dissolution or liquidation, all unpaid revolving fund credits and other allocated reserves shall be deemed due without regard to year of origin, subject to the priority of all creditors of the Association, and any residue that may remain after payment in full of all indebtedness and all such revolving fund credits and other allocated reserves shall be distributed among the holders of the Association's common stock and preferred stock in the manner specified in the Articles of Incorporation. In the event there are insufficient funds with which to redeem all such revolving fund credits and allocated reserves, payment thereof shall be on a prorata basis without regard to the date of origin.

(b) In the event the Association shall at any time determine to transfer the property and assets of the Association to a successor association and shall designate such association as the successor of the Association, then the transfer of said property and assets by the Association to such successor association shall not be considered a dissolution or liquidation within the meaning of the foregoing paragraph. Such successor association may be formed or exist under state or federal laws, provided only it shall be in substance a farmers' nonprofit cooperative marketing association. Such successor association may be an association formed or recognized for such purpose, or it may be formed by merger, consolidation, or any corporate reorganization. Property rights and interests of the members of the Association shall be recognized and preserved in an equitable manner in such successor association.

SECTION 8.11 COMPROMISING AND DISCOUNTING CREDITS

Notwithstanding any provision elsewhere in these Bylaws contained, the Board shall have the power from time to time, and at any time, to pay off or obtain a release or satisfaction of one or more revolving fund or other allocated reserve credits in either case as follows:

(a) To compromise or settle a dispute in respect of the credit or a dispute with the holder thereof;

(b) To obtain for the Association a discount for prior payment that the Board deems substantial.

ARTICLE IX
MISCELLANEOUS

SECTION 9.01 AMENDMENTS

These Bylaws may be amended by a vote or written assent of members representing a majority of the votes of all the members, or by the Board of Directors at any meeting of the Board by an affirmative vote of two-thirds (2/3) of the members of the Board.

SECTION 9.02 CONSENT OF MEMBERS TO TAKE ALLOCATIONS INTO INCOME

(a) Each person who applies for and is accepted to membership in the Association shall, by such act alone, consent that the amount of any distributions or allocations which are made in qualified written notices of allocations or qualified per unit retain certificates (as defined in 26 U.S. Code Section 1388) and which are received by him from the Association, will be taken into income by him at their stated dollar amounts in the manner provided in 26 U.S. Code Section 1385(a) in the taxable year in which such written notices of allocation or per-unit retain certificates are received by him. The intent and effect of this Section is that the full amount of any retain from amounts otherwise payable to the member by the Association which is allocated to the member as a revolving fund credit or other non-cash allocation will be treated by the member as representing cash distributions equal to the face amount of such allocations received in the taxable year when notice of such allocations is received, if such allocations are received in the form of qualified written notices of allocation or qualified per-unit retain certificates.

(b) The consent of each member pursuant to Section 9.02(a) of these Bylaws shall not extend to distributions or allocations which are made in written notices of allocation or per-unit certificates which are designated on the face thereof as "nonqualified."

SECTION 9.03 DISPOSITION OF UNCLAIMED PROPERTY

(a) Whenever a member or other person is entitled to receive a payment or allocation from the Association and the Association, after making reasonable efforts to do so, is unable to locate the person to whom such monies are payable or the one entitled to payment, within three (3) years after the same became payable, the Board of Directors may charge off the same as a liability on its books, the claim of any such person to any such monies shall thereby be extinguished, and thereupon the Association shall treat the amount of all such monies so charged off as incidental income to the Association in the year during which such monies are so charged off. In the event such monies have not been paid prior to the running of the statute of limitations of the State of California against any such claim, then such amounts shall, without further action by the Board of Directors, cease to be a liability of the Association and shall be treated as incidental income received during the year said statute of limitations shall have run.

(b) No such charge-off or termination of liability as herein provided shall occur, however, unless notice of monies due shall have been sent by certified or registered U.S. mail, postage prepaid, with return receipt requested, in the case of monies due in excess of $50.00, and by registered, certified, or ordinary mail in all other cases, to the person appearing from the books of the Association to be entitled to payment of such monies, at least thirty (30) days prior to such charge-off or termination.

SECTION 9.04 ANNUAL REPORT

The sending of the report referred to in Section 54204 of the Food and Agricultural Code of the State of California is hereby expressly dispensed with, but the Board of Directors shall continue to send to members an annual report in the customary form.

SECTION 9.05 NO VESTED RIGHT IN BYLAWS

Any or all provisions of these Bylaws, whether originally or subsequently adopted, regardless of their nature, whether regulatory or contractual, including those relating to the marketing of products and the capital fund, may, from time to time, be amended or repealed, and new or other provisions adopted, and each member becomes such with knowledge of and consent to the reserved right of amendment or repeal, and the exercise thereof; and no member shall or does have any vested right in or to any provision hereof, or the continuance thereof. Each member agrees that provisions of the general or like nature or effect of those contained in the Bylaws are appropriate and necessary for the efficient regulation of the business and the government and conduct of a nonprofit cooperative association of the nature of the Association.

SECTION 9.06 INDEMNIFICATION

(a) Indemnification of Directors - The Corporation shall, to the maximum extent and in the manner permitted by the California Corporations Code (the "Code"), indemnify each of its directors against expenses (as defined in Section 317(a) of the Code), judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding (as defined in Section 317(a) of the Code) arising by reason of the fact that such person is or was a director of the Corporation.

(b) Indemnification of Others - The Corporation shall have the power, to the extent and in the manner permitted by the Code, to indemnify each of its employees, officers and agents (other than directors) against expenses (as defined in Section 317(a) of the Code), judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding (as defined in Section 317(a) of the Code) arising by reason of the fact that such person is or was an employee, officer or agent of the Corporation.

(c) Insurance Indemnification - The Corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation against any liability asserted against or incurred by such person in such capacity or arising out of that person's status as such, whether or not the Corporation would have the power to indemnify that person against such liability under the provisions of this Article.