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

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**FORM 10-Q**

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

For the quarterly period ended April 30, 2023

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 000-33385

**CALAVO GROWERS, INC.**

(Exact name of registrant as specified in its charter)

**California**

(State or other jurisdiction of  
incorporation or organization)

**33-0945304**

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

**1141-A Cummings Road, Santa Paula, California**

(Address of principal executive offices)

**93060**

(Zip Code)

**(805) 525-1245**

(Registrant's telephone number, including area code)

**Not Applicable**

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

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

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

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

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

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

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

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

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

Registrant's number of shares of common stock outstanding as of May 31, 2023 was 17,784,326

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## FORWARD-LOOKING STATEMENTS

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

Risks and uncertainties that may cause our actual results to be materially different from any future results expressed or implied by the forward-looking statements include, but are not limited to, the following: the ability of our new management team to work together successfully; the impact of operational and restructuring initiatives on our business, results of operations, and financial condition, including uncertainty as to whether the desired effects will be achieved; and potential long-term adverse effects from reducing capital expenditures; the impact of weather of on market prices and operational costs; seasonality of our business; sensitivity of our business to changes in market prices of avocados and other agricultural products and other raw materials including fuel, packaging and paper; potential disruptions to our supply chain; risks associated with potential future acquisitions, including integration; potential exposure to data breaches and other cyber-attacks on our systems or those of our suppliers or customers; dependence on large customers; dependence on key personnel, and access to labor necessary for us to render services; susceptibility to wage inflation; potential for labor disputes; reliance on co-packers for a portion of our production needs; competitive pressures, including from foreign growers; risks of recalls and food-related injuries to our customers; changing consumer preferences; the impact of environmental regulations, including those related to climate change; risks associated with the environment and climate change, especially as they may affect our sources of supply; our ability to develop and transition new products and services and enhance existing products and services to meet customer needs; risks associated with doing business internationally (including possible restrictive U.S. and foreign governmental actions, such as restrictions on transfers of funds and restrictions as a result of COVID-19 and trade protection measures such as import/export/customs duties, tariffs and/or quotas and currency fluctuations); risks associated with receivables from, loans to and/or equity investments in unconsolidated entities; volatility in the value of our common stock; the impact of macroeconomic trends and events; and the resolution of pending investigations, legal claims and tax disputes, including an assessment imposed by the Mexican Tax Administrative Service (the “SAT”) and our defenses against collection activities commenced by the SAT.

For a further discussion of these risks and uncertainties and other risks and uncertainties that we face, please see the risk factors described in our most recent Annual Report on Form 10-K for the fiscal year ended October 31, 2022 filed with the Securities and Exchange Commission and any subsequent updates that may be contained in our Quarterly Reports on Form 10-Q (including this Quarterly Report on Form 10-Q) and other filings with the Securities and Exchange Commission. Forward-looking statements contained in this Quarterly Report on Form 10-Q are made only as of the date of this report, and we undertake no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

CALAVO GROWERS, INC.

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**PART I. FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**CALAVO GROWERS, INC.**  
**CONSOLIDATED CONDENSED BALANCE SHEETS**  
**(UNAUDITED, in thousands)**

	<u>April 30,</u> <u>2023</u>	<u>October 31,</u> <u>2022</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 4,198	\$ 2,060
Restricted cash	—	1,074
Accounts receivable, net of allowances of \$3,438 (2023) and \$4,199 (2022)	68,827	59,016
Inventories	42,818	38,830
Prepaid expenses and other current assets	11,296	8,868
Advances to suppliers	13,271	12,430
Income taxes receivable	4,330	3,396
Total current assets	<u>144,740</u>	<u>125,674</u>
Property, plant, and equipment, net	115,086	113,310
Operating lease right-of-use assets	51,265	54,518
Investments in unconsolidated entities	3,882	3,782
Deferred income taxes	5,586	5,433
Goodwill	28,653	28,653
Intangibles, net	6,450	7,206
Other assets	51,496	47,170
	<u>\$ 407,158</u>	<u>\$ 385,746</u>
<b>Liabilities and shareholders' equity</b>		
Current liabilities:		
Payable to growers	\$ 26,834	\$ 20,223
Trade accounts payable	19,176	10,436
Accrued expenses	50,247	51,795
Other current liabilities	11,000	11,000
Current portion of operating leases	6,832	6,925
Current portion of long-term obligations and finance leases	1,693	1,574
Total current liabilities	<u>115,782</u>	<u>101,953</u>
Long-term liabilities:		
Borrowings pursuant to credit facilities, long-term	22,200	1,200
Long-term operating leases, less current portion	48,862	52,140
Long-term obligations and finance leases, less current portion	4,839	4,447
Other long-term liabilities	2,284	2,635
Total long-term liabilities	<u>78,185</u>	<u>60,422</u>
Commitments and contingencies		
Shareholders' equity:		
Common stock (\$0.001 par value, 100,000 shares authorized; 17,784 (2023) and 17,732 (2022) shares issued and outstanding)	18	18
Additional paid-in capital	174,674	171,223
Noncontrolling interest	1,323	1,015
Retained earnings	37,176	51,115
Total shareholders' equity	<u>213,191</u>	<u>223,371</u>
	<u>\$ 407,158</u>	<u>\$ 385,746</u>

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

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

	Three months ended		Six months ended	
	April 30,		April 30,	
	2023	2022	2023	2022
Net sales	\$ 244,689	\$ 331,418	\$ 470,893	\$ 605,510
Cost of sales	229,652	309,677	441,424	570,541
Gross profit	15,037	21,741	29,469	34,969
Selling, general and administrative	18,076	16,551	34,429	31,745
Expenses related to Mexican tax matters	386	478	2,434	845
Impairment and charges related to Florida facility closure	—	305	—	959
Operating income (loss)	(3,425)	4,407	(7,394)	1,420
Interest expense	(273)	(460)	(689)	(787)
Other income, net	278	496	632	1,155
Unrealized net loss on Limoneira shares	—	(4,898)	—	(7,028)
Loss before income taxes and loss from unconsolidated entities	(3,420)	(455)	(7,451)	(5,240)
Income tax benefit (expense)	(484)	187	596	1,347
Net income (loss) from unconsolidated entities	(56)	(8)	100	(543)
Net loss	(3,960)	(276)	(6,755)	(4,436)
Add: Net loss (income) attributable to noncontrolling interest	(35)	85	(308)	202
Net loss attributable to Calavo Growers, Inc.	\$ (3,995)	\$ (191)	\$ (7,063)	\$ (4,234)
Calavo Growers, Inc.'s net loss per share:				
Basic	\$ (0.23)	\$ (0.01)	\$ (0.40)	\$ (0.24)
Diluted	\$ (0.23)	\$ (0.01)	\$ (0.40)	\$ (0.24)
Number of shares used in per share computation:				
Basic	17,721	17,664	17,697	17,659
Diluted	17,721	17,664	17,697	17,659

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

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

	<b>Six months ended April 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash Flows from Operating Activities:</b>		
Net loss	\$ (6,755)	\$ (4,436)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	8,453	8,405
Non-cash operating lease expense	45	61
Net loss (income) from unconsolidated entities	(100)	543
Realized and unrealized net loss on Limoneira shares	—	7,028
Divestiture of Calavo Salsa Lisa	624	—
Impairment and non-cash charges related to closure of Florida facility	—	317
Provision for uncollectible Mexican IVA taxes receivable	1,404	—
Stock-based compensation expense	3,403	1,368
Gain on sale of Temecula packinghouse	(108)	(108)
Loss (gain) on disposal of property, plant, and equipment	40	—
Effect on cash of changes in operating assets and liabilities:		
Accounts receivable, net	(9,811)	(24,287)
Inventories	(4,377)	(12,950)
Prepaid expenses and other current assets	(1,656)	13
Advances to suppliers	87	(1,211)
Income taxes receivable/payable	(934)	2,860
Other assets	(7,430)	(1,645)
Payable to growers	6,611	29,072
Trade accounts payable, accrued expenses and other liabilities	6,726	16,302
Net cash provided by (used in) operating activities	(3,778)	21,332
<b>Cash Flows from Investing Activities:</b>		
Purchases of property, plant, and equipment	(8,461)	(3,787)
Net cash used in investing activities	(8,461)	(3,787)
<b>Cash Flows from Financing Activities:</b>		
Payment of dividend to shareholders	(6,876)	(20,330)
Proceeds from revolving credit facility	130,800	168,800
Payments on revolving credit facility	(109,800)	(164,600)
Payments of minimum withholding taxes on net share settlement of equity awards	—	(95)
Payments on long-term obligations and finance leases	(869)	(956)
Proceeds from stock option exercises	48	47
Net cash provided (used in) by financing activities	13,303	(17,134)
Net increase in cash, cash equivalents and restricted cash	1,064	411
Cash, cash equivalents and restricted cash, beginning of period	3,134	2,855
Cash, cash equivalents and restricted cash, end of period	<u>\$ 4,198</u>	<u>\$ 3,266</u>
<b>Noncash Investing and Financing Activities:</b>		
Right of use assets obtained in exchange for new financing lease obligations	<u>\$ 1,097</u>	<u>\$ —</u>
Property, plant, and equipment included in trade accounts payable and accrued expenses	<u>\$ 310</u>	<u>\$ 878</u>

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

**CALAVO GROWERS, INC.**  
**CONSOLIDATED CONDENSED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)**  
(in thousands)

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

	Common Stock		Additional Paid-in Capital	Retained Earnings	Noncontrolling Interest	Total
	Shares	Amount				
<b>Balance, October 31, 2022</b>	17,732	\$ 18	\$ 171,223	\$ 51,115	\$ 1,015	\$ 223,371
Exercise of stock options and income tax benefit	2	—	48	—	—	48
Stock compensation expense	—	—	1,253	—	—	1,253
Stock issued	9	—	—	—	—	—
Dividend declared to shareholders (0.2875 per share)	—	—	—	(5,102)	—	(5,102)
Avocados de Jalisco noncontrolling interest	—	—	—	—	273	273
Net loss attributable to Calavo Growers, Inc.	—	—	—	(3,068)	—	(3,068)
<b>Balance, January 31, 2023</b>	<u>17,743</u>	<u>18</u>	<u>172,524</u>	<u>42,945</u>	<u>1,288</u>	<u>216,775</u>
Stock compensation expense	—	—	2,150	—	—	2,150
Stock issued	41	—	—	—	—	—
Dividend declared to shareholders (0.10 per share)	—	—	—	(1,774)	—	(1,774)
Avocados de Jalisco noncontrolling interest	—	—	—	—	35	35
Net loss attributable to Calavo Growers, Inc.	—	—	—	(3,995)	—	(3,995)
<b>Balance, April 30, 2023</b>	<u>17,784</u>	<u>\$ 18</u>	<u>\$ 174,674</u>	<u>\$ 37,176</u>	<u>\$ 1,323</u>	<u>\$ 213,191</u>

*See accompanying notes to consolidated condensed financial statements.*

**CALAVO GROWERS, INC.**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**1. Description of the business**

***Business***

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

***Basis of Presentation***

The accompanying unaudited consolidated condensed financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, the accompanying unaudited consolidated condensed financial statements contain all adjustments, consisting of adjustments of a normal recurring nature necessary to present fairly the Company’s financial position, results of operations and cash flows. The results of operations for interim periods are not necessarily indicative of the results that may be expected for a full year. These statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended October 31, 2022.



## 2. Information regarding our operations in different segments

We report our operations in two different business segments: Grown and Prepared. The Grown segment consists of fresh avocados, tomatoes and papayas. The Prepared segment comprises all other products including fresh cut fruits and vegetables, ready-to-eat sandwiches, wraps, salads and snacks, guacamole, and salsa sold at retail and food service as well as avocado pulp sold to foodservice. These two business segments are presented based on how information is used by our Chief Executive Officer to measure performance and allocate resources. Selling, general and administrative expenses, as well as other non-operating income/expense items, are evaluated by our Chief Executive Officer in the aggregate. We do not allocate assets, or specifically identify them, to our operating segments. Prior year information has been recast to conform with the new segment disclosures which was effective as of the third quarter of fiscal year 2022. The sales data in the following tables is presented in thousands:

	Three months ended April 30, 2023			Three months ended April 30, 2022		
	Grown	Prepared	Total	Grown	Prepared	Total
Avocados	\$ 122,907	\$ —	\$ 122,907	\$ 191,754	\$ —	\$ 191,754
Tomatoes	16,376	—	16,376	17,353	—	17,353
Papayas	2,528	—	2,528	2,743	—	2,743
Other fresh income	50	—	50	8	—	8
Fresh-cut products	—	87,919	87,919	—	102,986	102,986
Guacamole	—	18,688	18,688	—	19,742	19,742
Salsa	—	261	261	—	403	403
Total gross sales	141,861	106,868	248,729	211,858	123,131	334,989
Less sales allowances	(1,188)	(2,480)	(3,668)	(861)	(2,224)	(3,085)
Less inter-company eliminations	(372)	—	(372)	(486)	—	(486)
Net sales	<u>\$ 140,301</u>	<u>\$ 104,388</u>	<u>\$ 244,689</u>	<u>\$ 210,511</u>	<u>\$ 120,907</u>	<u>\$ 331,418</u>

	Six months ended April 30, 2023			Six months ended April 30, 2022		
	Grown	Prepared	Total	Grown	Prepared	Total
Avocados	\$ 225,530	\$ —	\$ 225,530	\$ 342,258	\$ —	\$ 342,258
Tomatoes	30,007	—	30,007	27,340	—	27,340
Papayas	5,855	—	5,855	5,783	—	5,783
Other fresh income	65	—	65	33	—	33
Fresh-cut products	—	182,438	182,438	—	199,263	199,263
Guacamole	—	34,552	34,552	—	37,371	37,371
Salsa	—	707	707	—	824	824
Total gross sales	261,457	217,697	479,154	375,414	237,458	612,872
Less sales allowances	(2,715)	(4,854)	(7,569)	(1,832)	(4,440)	(6,272)
Less inter-company eliminations	(692)	—	(692)	(1,090)	—	(1,090)
Net sales	<u>\$ 258,050</u>	<u>\$ 212,843</u>	<u>\$ 470,893</u>	<u>\$ 372,492</u>	<u>\$ 233,018</u>	<u>\$ 605,510</u>

	<u>Grown</u>	<u>Prepared</u>	<u>Interco. Elimins.</u>	<u>Total</u>
(All amounts are presented in thousands)				
<b>Three months ended April 30, 2023</b>				
Net sales	\$ 140,673	\$ 104,388	\$ (372)	\$ 244,689
Cost of sales	<u>128,074</u>	<u>101,950</u>	<u>(372)</u>	<u>229,652</u>
Gross profit	<u>\$ 12,599</u>	<u>\$ 2,438</u>	<u>\$ —</u>	<u>\$ 15,037</u>

<b>Three months ended April 30, 2022</b>				
Net sales	\$ 210,997	\$ 120,907	\$ (486)	\$ 331,418
Cost of sales	<u>192,841</u>	<u>117,322</u>	<u>(486)</u>	<u>309,677</u>
Gross profit	<u>\$ 18,156</u>	<u>\$ 3,585</u>	<u>\$ —</u>	<u>\$ 21,741</u>

	<u>Grown</u>	<u>Prepared</u>	<u>Interco. Elimins.</u>	<u>Total</u>
(All amounts are presented in thousands)				
<b>Six months ended April 30, 2023</b>				
Net sales	\$ 258,742	\$ 212,843	\$ (692)	\$ 470,893
Cost of sales	<u>236,662</u>	<u>205,454</u>	<u>(692)</u>	<u>441,424</u>
Gross profit	<u>\$ 22,080</u>	<u>\$ 7,389</u>	<u>\$ —</u>	<u>\$ 29,469</u>

<b>Six months ended April 30, 2022</b>				
Net sales	\$ 373,582	\$ 233,018	\$ (1,090)	\$ 605,510
Cost of sales	<u>343,760</u>	<u>227,871</u>	<u>(1,090)</u>	<u>570,541</u>
Gross profit	<u>\$ 29,822</u>	<u>\$ 5,147</u>	<u>\$ —</u>	<u>\$ 34,969</u>

For the three months ended April 30, 2023 and 2022, intercompany sales and cost of sales of \$0.4 million and \$0.5 million between Grown products and Prepared products were eliminated. For the six months ended April 30, 2023 and 2022, intercompany sales and cost of sales of \$0.7 million and \$1.1 million between Grown products and Prepared products were eliminated.

Sales to customers outside the U.S. were approximately \$7.9 million, and \$8.3 million for the three months ended April 30, 2023 and 2022. Sales to customers outside the U.S. were approximately \$15.5 million, and \$15.4 million for the six months ended April 30, 2023 and 2022.

Our foreign operations in Mexico are subject to exchange rate fluctuations and foreign currency transaction costs. The functional currency of our foreign subsidiaries in Mexico is the United States dollar (U.S. dollar). As a result, monetary assets and liabilities are translated into U.S. dollars at exchange rates as of the balance sheet date and non-monetary assets, liabilities and equity are translated at historical rates. Sales and expenses are translated using a weighted-average exchange rate for the period. Gains and losses resulting from those remeasurements and foreign currency transactions are recognized within cost of sales. We recognized foreign currency remeasurement gains in the current quarter. These gains were due primarily to certain long-term net peso receivables. Foreign currency remeasurement gains, net of losses, for the three and six months ended April 30, 2023 were \$0.9 million and \$2.2 million respectively. Foreign currency remeasurement losses, net of gains, for the three and six months ended April 30, 2022 were \$0.3 million and \$0.9 million respectively.

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The net carrying value of long-lived assets attributed to geographic areas as of April 30, 2023 and October 31, 2022, are as follows (in thousands):

	United States	Mexico	Consolidated
April 30, 2023	\$ 78,732	\$ 36,354	\$ 115,086
October 31, 2022	\$ 77,208	\$ 36,102	\$ 113,310

### 3. Inventories

Inventories consist of the following (in thousands):

	April 30, 2023	October 31, 2022
Fresh fruit	\$ 19,459	\$ 16,938
Packing supplies and ingredients	12,980	14,176
Finished prepared foods	10,379	7,716
Total	<u>\$ 42,818</u>	<u>\$ 38,830</u>

Inventories are stated at the lower of cost or net realizable value. We periodically review the value of items in inventory and record any necessary write downs of inventory based on our assessment of market conditions. Inventory includes reserves of \$0.4 million and \$0.5 million in slow moving and obsolete packing supply inventory as of April 30, 2023 and October 31, 2022.

### 4. Related party transactions

#### *Board of Directors*

Certain members of our Board of Directors market California avocados through Calavo pursuant to marketing agreements substantially similar to the marketing agreements that we enter into with other growers. For the three months ended April 30, 2023 and 2022, the aggregate amount of avocados procured from entities owned or controlled by members of our Board of Directors was \$0.2 million and \$1.4 million. For the six months ended April 30, 2023 and 2022, the aggregate amount of avocados procured from entities owned or controlled by members of our Board of Directors was \$0.2 million and \$1.6 million. Amounts payable to these Board members were \$0.2 million as of April 30, 2023. We did not have any amounts payable to these Board members as of October 31, 2022. We have not procured any avocados from entities affiliated with our newly appointed Chief Executive Officer through April 30, 2023.

#### *Agricola Don Memo, S.A. de C.V. (“Don Memo”)*

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

As of April 30, 2023, and October 31, 2022, we had an investment of \$3.9 million and \$3.8 million, representing Calavo’s 50% ownership in Don Memo, which was included as an investment in unconsolidated entities on our balance sheet. We make advances to Don Memo for operating purposes, provide additional advances as shipments are made during the season, and return the proceeds from tomato sales under our marketing program to Don Memo, net of our commission and aforementioned advances. For the three and six months ended April 30, 2023, we advanced an additional \$3.0 million and \$3.9 million of preseason advances to Don Memo, respectively. As of April 30, 2023 and October 31, 2022, we had outstanding advances of \$6.7 million and \$7.0 million to Don Memo. In October 2020, we entered into an infrastructure loan agreement with Don Memo for up to \$2.4 million secured by certain property and equipment of Don Memo. This infrastructure loan accrues interest at 7.25%. The total outstanding infrastructure loan balance at April 30, 2023 and at October 31, 2022, was \$1.6 million (\$0.4 million is included in prepaids and other current assets and \$1.2 million in other assets). This infrastructure loan agreement will mature in fiscal 2024. During the three months ended April 30, 2023 and 2022, we incurred \$0.2 million and \$0.5 million of cost of sales to Don Memo

pursuant to our purchase consignment agreement. During the six months ended April 30, 2023 and 2022, we incurred \$5.2 million and \$3.9 million of cost of sales to Don Memo pursuant to our purchase consignment agreement.

#### *Belher*

We make advances to Belher for operating purposes, provide additional advances as shipments are made during the season, and return the proceeds from tomato sales under our marketing program to Belher, net of our commission and aforementioned advances. We had grower advances due from Belher totaling \$4.7 million and \$4.5 million as of April 30, 2023 and October 31, 2022, which are netted against the grower payable. In addition, we had infrastructure advances due from Belher of \$0.9 million as of October 31, 2022. These infrastructure advances were recorded as a receivable in prepaid and other current assets as of October 31, 2022. In July 2021, we made a bridge loan of \$3.5 million to Belher. This loan is secured by certain farmland in Mexico and accrues interest at 10%. In the first quarter of fiscal 2022, this loan was amended to be due with installments of \$0.9 million on July 31, 2022, \$0.9 million on July 31, 2023 and \$1.7 million on July 31, 2024. As part of this amended loan agreement, we can withhold payments on both the infrastructure advances and the bridge loan through the netting against the grower payable due to Belher. The total outstanding bridge loan balance at April 30, 2023, was \$1.7 million, which is included in prepaids and other current assets. The total outstanding bridge loan balance at October 31, 2022, was \$2.6 million (\$0.9 million is included in prepaids and other current assets and \$1.7 million in other assets). During the three months ended April 30, 2023 and 2022, we incurred \$10.3 million and \$14.6 million of cost of sales to Belher pursuant to our purchase consignment agreement. During the six months ended April 30, 2023 and 2022, we incurred \$14.2 million and \$18.0 million of cost of sales to Belher pursuant to our purchase consignment agreement.

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

In August 2015, we entered into a Shareholder’s Agreement with various Mexican partners and created Avocados de Jalisco. Avocados de Jalisco is a Mexican corporation created to engage in procuring, packing and selling avocados. As of April 30, 2023, this entity was approximately 83% owned by Calavo and was consolidated in our financial statements. Avocados de Jalisco built a packinghouse located in Jalisco, Mexico, which began operations in June of 2017. During the three months ended April 30, 2023 we purchased approximately \$0.6 million of avocados from the partners of Avocados de Jalisco. During the six months ended April 30, 2023 and 2022 we purchased approximately \$4.3 million and \$3.5 million of avocados from the partners of Avocados de Jalisco.

#### **5. Other assets and Intangibles**

Other assets consist of the following (in thousands):

	<u>April 30,</u> <u>2023</u>	<u>October 31,</u> <u>2022</u>
Mexican IVA (i.e. value-added) taxes receivable	\$ 49,764	\$ 43,625
Infrastructure advances to Agricola Belher	1,241	1,241
Bridge loan to Agricola Belher	—	1,700
Other	491	604
<b>Total</b>	<u>\$ 51,496</u>	<u>\$ 47,170</u>

Intangible assets consist of the following (in thousands):

	Weighted-Average Useful Life	April 30, 2023			October 31, 2022		
		Gross Carrying Value	Accum. Amortization	Net Book Value	Gross Carrying Value	Accum. Amortization	Net Book Value
Customer list/relationships	8 years	\$ 17,340	\$ (12,065)	\$ 5,275	\$ 17,340	\$ (11,373)	\$ 5,967
Trade names	8 years	4,060	(3,160)	900	4,060	(3,100)	960
Trade secrets/recipes	9 years	630	(630)	—	630	(626)	4
Brand name intangibles	indefinite	275	—	275	275	—	275
Intangibles, net		<u>\$ 22,305</u>	<u>\$ (15,855)</u>	<u>\$ 6,450</u>	<u>\$ 22,305</u>	<u>\$ (15,099)</u>	<u>\$ 7,206</u>

We anticipate recording amortization expense of \$0.8 million for the remainder of fiscal 2023, \$1.5 million for fiscal year 2024, \$1.5 million for fiscal year 2025, \$1.5 million for fiscal year 2026, and \$0.8 million thereafter.

## 6. Stock-Based Compensation

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

### Restricted Stock Awards

On November 3, 2022, our former Chief Executive Officer (CEO) entered into an amendment to his employment agreement, which changed \$100,000 of his guaranteed STIP cash bonus for fiscal 2022 to \$100,000 worth of unrestricted Calavo common stock. On December 22, 2022, our CEO was granted 3,321 shares of unrestricted common stock. The closing share price of our common stock at the grant date was \$30.12.

On December 1, 2022, our ten directors were granted 3,478 restricted shares each (for a total of 34,780 shares). These shares have full voting rights and participate in dividends as if unrestricted. The closing share price of our stock on such grant date was \$34.51. As of November 1, 2023, these shares will vest and become unrestricted subject to the continued service of the director. The total recognized stock-based compensation expense for these grants was \$0.3 million for the three months ended April 30, 2023. The total recognized stock-based compensation expense for these grants was \$0.5 million for the six months ended April 30, 2023.

On March 7, 2023, our former CEO was terminated. As part of his Separation Agreement, the remaining 19,329 restricted shares that were granted as part of his original employment agreement were immediately vested. The total stock-based compensation expense recognized was \$0.8 million for the three and six months ended April 30, 2023.

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

	Number of Shares	Weighted-Average Grant Price	Aggregate Intrinsic Value
Outstanding at October 31, 2022	62	\$ 42.88	
Vested	(60)	\$ 41.36	
Granted	38	\$ 34.13	
Outstanding at April 30, 2023	<u>40</u>	\$ 35.54	<u>\$ 1,269</u>

The total recognized stock-based compensation expense for restricted stock was \$1.2 million and \$0.8 million for the three months ended April 30, 2023 and 2022. The total recognized stock-based compensation expense for restricted stock

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was \$1.7 million and \$1.4 million for the six months ended April 30, 2023 and 2022. Total unrecognized stock-based compensation expense totaled \$0.7 million as of April 30, 2023 and will be amortized through fiscal year 2024.

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

On December 1, 2022, we issued RSUs and PRSUs for officers and other members of management as part of our long-term incentive plan. The RSUs are time-based and vest annually in equal amounts over a three-year period. The PRSUs are based on three-year cumulative performance targets of net sales, adjusted EBITDA and return on invested capital and vest entirely at the third anniversary. We granted 66,325 RSUs and 66,325 PRSUs at a grant stock price of \$34.51.

Based on our current projections, we recognized approximately \$0.5 million and \$0.9 million of stock-based compensation for the three and six months ended April 30, 2023 for all RSUs and PRSUs. As of April 30, 2023, there was \$2.7 million of unrecognized stock-based compensation costs related to non-vested RSUs and PRSUs, which the Company expects to recognize over a weighted-average period of 2.5 years. The total fair value of the restricted stock units at April 30, 2023, is approximately \$5.0 million.

On March 7, 2023, our former CEO was terminated. As part of his Separation Agreement, 7,421 RSUs and 13,687 PRSUs immediately vested. The total stock-based compensation expense recognized was \$0.5 million for the three and six months ended April 30, 2023. With his termination 8,574 PRSUs and 11,285 RSUs were forfeited.

The summary of RSU activity, related to our 2020 Plan, is as follows (in thousands, except for per share amounts):

	<b>Number of Shares Represented</b>	<b>Weighted-Average Grant Price</b>	<b>Aggregate Intrinsic Value</b>
Outstanding at October 31, 2022	52	\$ 39.17	
Vested	(19)	36.87	
Forfeited	(14)	\$ 35.53	
Granted	66	\$ 34.51	
Outstanding at April 30, 2023	<u>85</u>	<u>\$ 36.65</u>	<u>\$ 2,731</u>

The summary of PRSU activity, related to our 2020 Plan, is as follows (in thousands, except for per share amounts):

	<b>Number of Shares Represented</b>	<b>Weighted-Average Grant Price</b>	<b>Aggregate Intrinsic Value</b>
Outstanding at October 31, 2022	31	\$ 37.49	
Vested	(14)	\$ 36.35	
Forfeited	(11)	\$ 35.35	
Granted	66	\$ 34.51	
Outstanding at April 30, 2023	<u>72</u>	<u>\$ 35.25</u>	<u>\$ 2,276</u>

#### *Stock Options*

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

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

In March 2023, the Company agreed to award our newly appointed CEO a stock option to purchase 500,000 shares of the Company's common stock pursuant to the 2020 Equity Incentive Plan, which will vest in the following four tranches upon satisfaction of the milestones described below (the "Milestones"):

(i) 200,000 shares subject to the option shall vest and become exercisable on March 10, 2024;

(ii) 100,000 shares subject to the option shall vest and become exercisable (1) if the closing price per share of the Company's common stock, as reported by The Nasdaq Stock Market, is greater than or equal to \$50.00 (the "Target Share Price"), and (2) the average closing price per share of the Company's common stock for any thirty (30) day period following achievement of the Target Share Price (the "Thirty-day Average Share Price"), is greater than or equal to \$50.00, as reported by Nasdaq;

(iii) 100,000 shares subject to the option shall vest and become exercisable (1) upon achievement of the Target Share Price, and (2) the Thirty-day Average Share Price is greater than or equal to \$60.00, as reported by Nasdaq; and

(iv) 100,000 shares subject to the option shall vest and become exercisable (1) upon achievement of the Target Share Price, and (2) the Thirty-day Average Share Price is greater than or equal to \$70.00, as reported by Nasdaq;

provided, however, that satisfaction of each Milestone is subject to our newly appointed CEO continuing as the President and CEO of the Company through each vesting event; and provided further that regardless of when he achieves the Milestones set forth in subsections (ii) through (iv) above, the applicable tranche shall only vest on or after March 10, 2024.

We measure the fair value of our stock option awards on the date of grant. The following assumptions were used in the estimated grant date fair value calculations for stock options:

	<u>March 2023</u>
Risk-free interest rate	4.31 %
Expected volatility	35.0 %
Dividend yield	1.6 %
Expected life (years)	3.0

The expected stock price volatility rates were based on the historical volatility of our common stock. The risk free interest rate was based on the U.S. Treasury yield curve in effect at the time of grant for periods approximating the expected life of the option. The expected life represents the average period of time that options granted are expected to be outstanding, as calculated using the simplified method described in the Securities and Exchange Commission's Staff Accounting Bulletin No. 107.

The Black-Scholes-Merton and lattice-based option valuation models were developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Because options held by our directors and employees have characteristics significantly different from those of traded options, in our opinion, the existing models do not necessarily provide a reliable single measure of the fair value of these options.

Based on the above details and assumptions, we valued these options at \$1.8 million. We will amortize this amount over three years, which is the estimated employment term of our newly appointed CEO. We recognized \$0.1 million of stock-based compensation during the three and six months ended April 30, 2023. The exercise price of these options are \$24.39, which was the stock price on the day of the grant.

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

	<u>Number of Shares</u>	<u>Weighted-Average Exercise Price</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at October 31, 2022	27	\$ 44.67	
Exercised	(2)	\$ 23.48	
Granted	500	\$ 24.39	
Outstanding at April 30, 2023	525	\$ 25.44	\$ 3,423
Exercisable at April 30, 2023	15	\$ 51.30	\$ —

At April 30, 2023, outstanding and exercisable stock options had a weighted-average remaining contractual term of 2.0 years. We recognized \$0.1 million of stock-based compensation during each of the three and six months ended April 30, 2023 related to stock options. Total unrecognized stock-based compensation expense totaled \$1.8 million as of April 30, 2023 and will be amortized through fiscal year 2026.

## 7. Other events

### *Dividend payments*

On June 5, 2023, we declared a cash dividend of \$0.10 per share. This dividend will be paid on July 11, 2023, to shareholders of record on June 27, 2023. On April 6, 2023, we paid a \$0.10 per share dividend in the aggregate amount of \$1.7 million to shareholders of record on March 24, 2023.

On December 14, 2022, we paid a \$0.2875 per share dividend in the aggregate amount of \$5.1 million to shareholders of record on November 16, 2022.

### *Litigation*

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

### *Mexico tax audits*

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

### **2013 Assessment**

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

As a result, in July 2018, the SAT's local office in Uruapan issued to CDM a final tax assessment (the "2013 Assessment") totaling approximately \$2.6 billion Mexican pesos (which includes annual adjustments for inflation, and equals approximately \$138.4 million USD at April 30, 2023) related to income tax, flat rate business tax, and value added tax, related to this fiscal 2013 tax audit. This amount has been adjusted for inflation as of April 30, 2023 to the



amount of \$3.08 billion Mexican pesos (approx. \$163.9 million USD). Additionally, the tax authorities have determined that we owe our employees profit-sharing liability, totaling approximately \$118 million Mexican pesos (approx. \$6.2 million USD at April 30, 2023). In August 2018, we filed an Administrative Appeal on the 2013 Assessment, appealing our case to the SAT's central legal department in Michoacan.

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

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

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

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

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

The main purpose of the injunction suit was to challenge the SAT's response issued to the Reconsideration, and with that, to keep the Reconsideration alive until the injunction suit is decided. This would allow time to continue the discussions with SAT at the administrative level and would give SAT the legal basis to issue a new resolution. This injunction suit represents a further opportunity for a Court of Law to analyze this matter from a constitutional perspective.

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

On October 10, 2022, the Tax Court ruled in favor of CDM granting the definitive suspension, accepting the Administrative Guaranty and forcing the SAT to remove all liens placed on CDM fixed assets and bank accounts. These liens were removed in November 2022. The Court also recognized that the \$3.1 billion peso assessment exceeds the economic capacity of CDM.

While we continue to believe that the 2013 Assessment is completely without merit, and that we will prevail on the Annulment Suit in the Tax Court, we also believe that it is in the best interest of CDM and the Company to settle the 2013 Assessment as quickly as possible. Furthermore, we believe that the above actions taken by CDM will encourage the SAT to agree to reach a settlement. In accordance with our cumulative probability analysis on uncertain tax positions, our settlements made by the SAT in other cases, the 2011 Assessment settlement reached by CDM with the MFM, and

the value of CDM assets, we recorded a provision of \$11 million USD, in the third quarter of fiscal 2021, as a discrete item in Income Tax Provision. The provision includes estimated penalties, interest and inflationary adjustments. We believe that this provision remains appropriate as of April 30, 2023 based on our cumulative probability analysis. We incurred \$0.4 million and \$1.0 million of related professional fees for the three and six months ended April 30, 2023, respectively, which have been recorded in Expenses related to Mexican Tax matters.

## 8. Noncontrolling interest

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

<b>Avocados de Jalisco noncontrolling interest</b>	<b>Three months ended April 30, 2023</b>	<b>Three months ended April 30, 2022</b>
Noncontrolling interest, beginning	\$ 1,288	\$ 1,251
Net income (loss) attributable to noncontrolling interest of Avocados de Jalisco	35	(85)
Noncontrolling interest, ending	\$ 1,323	\$ 1,166

<b>Avocados de Jalisco noncontrolling interest</b>	<b>Six months ended April 30, 2023</b>	<b>Six months ended April 30, 2022</b>
Noncontrolling interest, beginning	\$ 1,015	\$ 1,368
Net income (loss) attributable to noncontrolling interest of Avocados de Jalisco	308	(202)
Noncontrolling interest, ending	\$ 1,323	\$ 1,166

## 9. Earnings per share

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

	<b>Three months ended April 30,</b>	
	2023	2022
<b>Numerator:</b>		
Net loss attributable to Calavo Growers, Inc.	\$ (3,995)	\$ (191)
<b>Denominator:</b>		
Weighted average shares – Basic	17,721	17,664
Effect of dilutive securities – Restricted stock/units/options (1)	—	—
Weighted average shares – Diluted	17,721	17,664
<b>Net loss per share attributable to Calavo Growers, Inc:</b>		
Basic	\$ (0.23)	\$ (0.01)
Diluted	\$ (0.23)	\$ (0.01)
	<b>Six months ended April 30,</b>	
	2023	2022
<b>Numerator:</b>		
Net Income (loss) attributable to Calavo Growers, Inc.	\$ (7,063)	\$ (4,234)
<b>Denominator:</b>		
Weighted average shares - Basic	17,697	17,659
Effect on dilutive securities – Restricted stock/units/options (1)	—	—
Weighted average shares - Diluted	17,697	17,659
<b>Net income (loss) per share attributable to Calavo Growers, Inc:</b>		
Basic	\$ (0.40)	\$ (0.24)
Diluted	\$ (0.40)	\$ (0.24)

- (1) For the three months ended April 30, 2023 and 2022, approximately 162,000 shares and 92,000 shares of common stock equivalents were excluded in the computation of diluted net loss per share, as the effect would be anti-dilutive since the Company reported a net loss, respectively. For the six months ended April 30, 2023 and 2022, approximately 160,000 shares and 59,000 shares of common stock equivalents were excluded in the computation of diluted net loss per share, as the effect would be anti-dilutive since the Company reported a net loss, respectively.

#### **10. Mexican IVA taxes receivable**

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

As of April 30, 2023, and October 31, 2022, CDM IVA receivables totaled \$49.8 million (926.4 million Mexican pesos) and \$43.6 million (865.4 million Mexican pesos). Historically, CDM received IVA refund payments from the Mexican tax authorities on a timely basis. Beginning in fiscal 2014 and continuing into fiscal 2023, the tax authorities began objecting to refund requests and supporting documentation that had previously been deemed acceptable to process a refund. Additionally, they are also contesting the refunds requested attributable to IVA paid to certain suppliers that allegedly did not fulfill their own tax obligations. We believe these factors and others have contributed to delays in the processing of IVA claims by the Mexican tax authorities. Currently, we are in the process of collecting such balances primarily through regular administrative processes, but these amounts may ultimately need to be recovered through Administrative Appeals and/or other legal means.

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

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

- It is recognized that CDM operates as a maquila under the authorization of the Ministry of Finance.
- It is recognized that all bank deposits corresponding to the purchase of avocados on behalf of Calavo Growers Inc. (CGI), are subject to the maquila program and it is not accruable income for purposes of Income Tax nor activities subject to VAT.
- It is recognized that VAT is recoverable, since CDM demonstrated the existence of operations carried under the maquila services.
- Resolved that certain VAT amounts attributed to the purchase of certain packing materials are not recoverable as CDM was not the buyer on record and therefore did not pay for the materials, which approximated \$6.9 million pesos (approximately \$0.4 million USD).

In January 2023 the Federal Tax Court issued a definitive resolution confirming the ruling from April 2022, ordering SAT to refund approximately \$18 million pesos (approx. \$1.0 million USD at April 30, 2023) and confirming that the \$6.9 million pesos (approx. \$0.4 million USD at April 30, 2023) related to packing materials will not be recoverable. For the six months ended April 30, 2023, we recognized a reserve of \$1.4 million USD for Mexican IVA tax receivables related to certain packing material vendors corresponding to the years 2013 and 2015. This reserve includes the amounts included in the January 2023 ruling as well as other similar receivables that are subject to proceedings in this same Federal Tax Court.

We believe that our operations in Mexico are properly documented, and our internationally recognized tax advisors believe that there are legal grounds to prevail in collecting the corresponding IVA amounts. With assistance from our internationally recognized tax advisory firm, as of April 30, 2023, CDM has filed Administrative Appeals for months for which IVA refunds have been denied by the SAT, and will continue filing such appeals for any months for which refunds are denied in the future. Therefore, it is probable that the Mexican tax authorities will ultimately authorize the refund of the remaining IVA amounts.

## **11. Credit Facility**

We have a revolving credit facility (the “Credit Facility”) with Bank of America, N.A. (Bank of America) as administrative agent and Merrill Lynch, Pierce, Fenner & Smith Inc. as joint lead arranger and sole bookrunner, and Farm Credit West, as joint lead arranger.

On November 1, 2022, we entered into a Seventh Amendment to our Credit Facility, which permitted us to declare cash dividends so long as (i) after giving effect to any such dividend a new Consolidated Dividend Adjusted Fixed Charge Coverage Ratio is not less than 1.20 to 1.00 and (ii) any such cash dividends are paid in the same fiscal quarter in which they are declared.

As of April 30, 2023, we were in compliance with the financial covenants, and we expect to remain in compliance. As of April 30, 2023, approximately \$18.3 million was available for borrowing, based on our borrowing base calculation discussed above. We have a letter of credit balance of \$3.2 million as of April 30, 2023, that lowers the amount available per our Credit Facility.

The weighted-average interest rate under the Credit Facility was 6.2% and 4.9% at April 30, 2023, and October 31 2022, respectively. Under the Credit Facility, we had \$22.2 million and \$1.2 million outstanding as of April 30, 2023 and October 31, 2022, and had standby letters-of-credit of \$3.2 million as of April 30, 2023, and October 31, 2022.

## **12. Restructuring events**

### *Calavo Salsa Lisa*

On April 1, 2023, we completed the divestiture of our salsa business in our Prepared segment. This divestiture and the below described restructuring are part of a broader set of organizational and strategic initiatives aimed at optimizing our processes, cost structure and how we operate to ensure that we continue to balance growth with profitability in a challenging industry environment marked by cost pressure driven by inflation and other factors.

This divestiture resulted in (i) a reduction of our current workforce by approximately 13 employees, and (ii) approximately \$0.4 million in writedowns of inventory and approximately \$0.2 million on losses on the disposal of certain property plant and equipment.

### *Restructuring of Operations in Mexico and the United States*

On March 6, 2023, we announced our plans to restructure certain corporate and administrative functions and consolidate activities in our Grown distribution network. In the second quarter of fiscal 2023, we incurred approximately \$1.2 million in cash expenditures related to severance payments.

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

This information should be read in conjunction with the unaudited consolidated condensed financial statements and the notes thereto included in this Quarterly Report, and the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the Annual Report on Form 10-K for the fiscal year ended October 31, 2022 of Calavo Growers, Inc. ("we", "Calavo", or the "Company").

### ***Recent Developments***

#### *Dividend payments*

In November 2022, we announced that we will begin declaring and paying dividends quarterly rather than annually as had been our practice.

On April 6, 2023, we paid a \$0.10 per share dividend in the aggregate amount of \$1.7 million to shareholders of record on March 24, 2023. On December 14, 2022, we paid a dividend of \$0.2875 per share, or an aggregate of \$5.2 million, to shareholders of record on November 16, 2022.

On June 5, 2023, we declared a cash dividend of \$0.10 per share. This dividend will be paid on July 11, 2023, to shareholders of record on June 27, 2023.

#### *Litigation*

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

#### *Calavo Salsa Lisa*

On April 1, 2023, we completed the divestiture of our salsa business in our Prepared segment. This divestiture and the below described restructuring are part of a broader set of organizational and strategic initiatives aimed at optimizing our processes, cost structure and how we operate to ensure that we continue to balance growth with profitability in a challenging industry environment marked by cost pressure driven by inflation and other factors.

This divestiture resulted in (i) a reduction of our current workforce by approximately 13 employees, and (ii) approximately \$0.4 million in writedowns of inventory and approximately \$0.2 million on losses on the disposal of certain property plant and equipment.

#### *Restructuring of Operations in Mexico and the United States*

On March 6, 2023, we announced our plans to restructure certain corporate and administrative functions and consolidate activities in our Grown distribution network. In the second quarter of fiscal 2023, we incurred approximately \$1.2 million in cash expenditures related to severance payments.

#### *Chief Executive Officer*

On March 8, 2023, the Company appointed Lecil Cole as the Company's President and Chief Executive Officer, effective as of March 10, 2023. In connection with such appointment, the Company entered into an employment agreement with Mr. Cole. Additionally, the Company agreed to award Mr. Cole stock options on March 10, 2023 to purchase 500,000 shares of the Company's common stock pursuant to the 2020 Equity Incentive Plan, which will vest in the following four tranches upon satisfaction of the milestones described below (the "Milestones"):

(i) 200,000 shares subject to the option shall vest and become exercisable on March 10, 2024;

(ii) 100,000 shares subject to the option shall vest and become exercisable (1) if the closing price per share of the Company's common stock, as reported by The Nasdaq Stock Market, is greater than or equal to \$50.00 (the "Target Share Price"), and (2) the average closing price per share of the Company's common stock for any thirty (30) day period following achievement of the Target Share Price (the "Thirty-day Average Share Price"), is greater than or equal to \$50.00, as reported by Nasdaq;

(iii) 100,000 shares subject to the option shall vest and become exercisable (1) upon achievement of the Target Share Price, and (2) the Thirty-day Average Share Price is greater than or equal to \$60.00, as reported by Nasdaq; and

(iv) 100,000 shares subject to the option shall vest and become exercisable (1) upon achievement of the Target Share Price, and (2) the Thirty-day Average Share Price is greater than or equal to \$70.00, as reported by Nasdaq;

provided, however, that satisfaction of each Milestone is subject to Mr. Cole continuing as the President and Chief Executive Officer of the Company through each vesting event; and provided further that regardless of when Mr. Cole achieves the Milestones set forth in subsections (ii) through (iv) above, the applicable tranche shall only vest on or after March 10, 2024. All other terms and conditions of the option shall be governed by the terms and conditions of the Company's 2020 Equity Incentive Plan and the stock option agreement between the Company and Mr. Cole.

#### *Mexican Tax Issues*

See footnote 7 and 10 of the consolidated financial statements for information on Mexican tax matters and the Mexican IVA taxes receivable.

#### **Critical Accounting Estimates**

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

There have been no material changes in our critical accounting estimates during the three and six months ended April 30, 2023, as compared to those disclosed in the "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates" in our Annual Report on Form 10-K for our fiscal year ended October 31, 2022.

#### **Non-GAAP Financial Measures**

The below tables include non-GAAP measures EBITDA, adjusted EBITDA, adjusted net income (loss) and adjusted net income (loss) per diluted share, which are not prepared in accordance with U.S. generally accepted accounting principles, or "GAAP."

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

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

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

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

Non-GAAP information should be considered as supplemental in nature and not as a substitute for, or superior to, any measure of performance prepared in accordance with GAAP. None of these metrics are presented as measures of liquidity. The way the Company measures EBITDA, adjusted EBITDA, adjusted net income (loss) and adjusted net income (loss) per diluted share may not be comparable to similarly titled measures presented by other companies and may not be identical to corresponding measures used in Company agreements.

### Adjusted Net Income (Non-GAAP, Unaudited)

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

	Three months ended April 30,		Six months ended April 30,	
	2023	2022	2023	2022
Net loss attributable to Calavo Growers, Inc.	\$ (3,995)	\$ (191)	\$ (7,063)	\$ (4,234)
Non-GAAP adjustments:				
Non-cash losses (income) recognized from unconsolidated entities				
(a)	56	8	(100)	543
Net loss on Limoneira shares (b)	—	4,898	—	7,028
Rent expense add back (c)	108	108	216	216
Restructure costs - consulting, management recruiting and severance (d)	3,557	2,157	3,760	3,275
Expenses related to Mexican tax matters (e)	386	478	2,434	845
Impairment, losses and charges related to property, plant and equipment (f)	235	305	235	959
Legal settlement and related expenses (g)	700	—	700	—
Tax impact of adjustments (h)	(1,261)	(1,979)	(1,811)	(3,217)
Adjusted net income (loss) attributed to Calavo Growers, Inc.	<u>\$ (214)</u>	<u>\$ 5,784</u>	<u>\$ (1,629)</u>	<u>\$ 5,415</u>
Calavo Growers, Inc.’s net loss per share:				
Diluted EPS (GAAP)	<u>\$ (0.23)</u>	<u>\$ (0.01)</u>	<u>\$ (0.40)</u>	<u>\$ (0.24)</u>
Adjusted net income (loss) per diluted share	<u>\$ (0.01)</u>	<u>\$ 0.33</u>	<u>\$ (0.09)</u>	<u>\$ 0.31</u>
Number of shares used in per share computation:				
Diluted	<u>17,721</u>	<u>17,756</u>	<u>17,697</u>	<u>17,718</u>

- (a) For the three months ended April 30, 2023 and 2022, we realized losses of \$0.1 million and losses less than \$0.1 million from Agricola Don Memo. For the six months ended April 30, 2023 and 2022, we realized income of \$0.1 million and losses of \$0.5 million from Agricola Don Memo.
- (b) For the three and six months ended April 30, 2022, we recorded \$4.9 million and \$7.0 million in unrealized losses related to these mark-to-market adjustments.
- (c) For the three months ended April 30, 2023 and 2022, we incurred \$0.1 million related to rent paid for Prepared’s former corporate office space that we have vacated and plan to sublease. For the six months ended April 30, 2023 and 2022, we incurred \$0.2 million related to rent paid for Prepared’s former corporate office space that we have vacated and plan to sublease.
- (d) For the three and six months ended April 30, 2023, we recorded \$0.6 million in severance costs as part of U.S. restructuring efforts. In addition, we incurred \$1.2 million in severance and other costs and \$1.2 million in stock-based compensation related to the departure of our former Chief Executive Officer. Additionally, we incurred \$0.6 million related to the divestiture of Salsa Lisa.
- For the three and six months ended April 30, 2022, we recorded \$0.7 million and \$1.8 million of consulting expenses related to an enterprise-wide strategic business operations study conducted by a third-party management consulting organization for the purpose of restructuring to improve the profitability of the organization and efficiency of our operations. In addition, for the three and six months ended April 30, 2022, we recorded \$1.4 million of severance accrual related to the Project Uno restructuring.
- (e) For the three months ended April 30, 2023 and 2022, we incurred \$0.4 million and \$0.5 million of professional fees related to the Mexican tax matters. For the six months ended April 30, 2023 and 2022, we incurred \$1.0 million and \$0.5 million of professional fees related to the Mexican tax matters. For the six months ended April 30, 2023, we recognized a reserve of \$1.4 million related to the collectability of IVA receivables. See Note 10 for more information.



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- (f) On April 1, 2023, we completed the divesture of our salsa business in our Prepared segment and incurred \$0.2 million in losses related to the disposal of property, plant and equipment.

On October 18, 2021, we announced the closure of RFG’s food processing operations at our Green Cove Springs (near Jacksonville), Florida facility, as part of our Project Uno profit improvement program. As of November 15, 2021, the Green Cove facility of RFG ceased operations. We incurred \$0.7 million of expenses in the first quarter of fiscal 2022, related to the closure of this facility.

- (g) For the three and six months ended April 30, 2023, we accrued \$0.6 million in a legal settlement from a dispute from over 5 years ago connected to an old unused distribution agreement that was entered into over a decade ago. This legal settlement was considered out of the ordinary, due to the length it took to settle and since we have not done business with this party for many years. There are no other similar matters outstanding. In addition, we incurred \$0.1 million in associated legal fees.
- (h) Tax impact of non-GAAP adjustments are based on effective year-to-date tax rates.

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

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

	<u>Three months ended April 30,</u>		<u>Six months ended April 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Net loss attributable to Calavo Growers, Inc.	\$ (3,995)	\$ (191)	\$ (7,063)	\$ (4,234)
Interest Income	(90)	(133)	(363)	(266)
Interest Expense	273	460	689	787
Provision for Income Taxes	484	(187)	(596)	(1,347)
Depreciation & Amortization	4,287	4,093	8,453	8,405
Stock-Based Compensation	2,150	812	3,403	1,368
<b>EBITDA</b>	<b>\$ 3,109</b>	<b>\$ 4,854</b>	<b>\$ 4,523</b>	<b>\$ 4,713</b>
<b>Adjustments:</b>				
Non-cash losses recognized from unconsolidated entities (a)	56	8	(100)	543
Net loss on Limoneira shares (b)	—	4,898	—	7,028
Rent expense add back (c)	108	108	216	216
Restructure costs - consulting and management recruiting and severance (d)	2,327	2,019	2,530	3,137
Expenses related to Mexican tax matters (e)	386	478	2,434	845
Impairment, losses and charges related to property, plant and equipment (f)	235	311	235	929
Legal settlement and related expenses (g)	700	—	700	—
<b>Adjusted EBITDA</b>	<b>\$ 6,921</b>	<b>\$ 12,676</b>	<b>\$ 10,538</b>	<b>\$ 17,411</b>

See prior page for footnote references

**Net Sales**

The following table summarizes our net sales by business segment for each of the three and six months ended April 30, 2023 and 2022:

	Three months ended April 30,			Six months ended April 30,		
	2023	Change	2022	2023	Change	2022
<b>Gross sales:</b>						
Grown	\$ 140,673	(33)%	\$ 210,997	\$ 258,742	(31)%	\$ 373,582
Prepared	104,388	(14)%	120,907	212,843	(9)%	233,018
Less intercompany eliminations	(372)	(23)%	(486)	(692)	(37)%	(1,090)
Total net sales	<u>\$ 244,689</u>	<u>(26)%</u>	<u>\$ 331,418</u>	<u>\$ 470,893</u>	<u>(22)%</u>	<u>\$ 605,510</u>
<b>As a percentage of sales:</b>						
Grown	57.4 %		63.6 %	54.9 %		61.6 %
Prepared	42.6 %		36.4 %	45.1 %		38.4 %
	<u>100.0 %</u>		<u>100.0 %</u>	<u>100.0 %</u>		<u>100.0 %</u>

**Results of Operations**

*Summary*

Net sales for the three months ended April 30, 2023, compared to the corresponding period in fiscal 2022, decreased by \$86.7 million, or approximately 26%. This decrease was across both segments. Net sales for the six months ended April 30, 2023, compared to the corresponding period in fiscal 2022, decreased by \$134.6 million, or approximately 22%. This decrease was across both segments.

For the three and six months ended April 30, 2023, the decrease in Grown product sales was primarily due to a decrease in price per unit of avocados offset by higher sales volume due to higher volumes of available fruit. For the three and six months ended April 30, 2023, the decrease in Prepared product sales was due primarily to decreased sales volume from fresh-cut fruit products and guacamole products.

Our Grown and Prepared segments of our business are subject to seasonal trends which can impact the volume and/or quality of raw materials sourced in any particular quarter.

*Grown products*

Second Quarter 2023 vs. Second Quarter 2022

Net sales for the Grown products business decreased by approximately \$70.3 million, or 33%, for the second quarter of fiscal 2023 compared to the corresponding period in fiscal 2022. The decrease in Grown product sales during the second quarter of fiscal 2023 was primarily related to lower sales prices of avocados due to higher overall supply of avocados in the marketplace.

Sales of avocados decreased \$69.2 million, or 36%, for the second quarter of 2023 compared to the prior year period. The average avocado sales price per carton decreased 42% compared to the prior year period. The decrease in the sales price per carton was mainly due to an industry-wide increase in supply of avocados in the marketplace. The volume of avocados sold in the second quarter of 2023 increased 11% compared to the prior year period.

Sales of tomatoes decreased \$1.0 million, or 6%, for the second quarter of 2023, when compared to the prior year period. The decrease in tomato sales was primarily due to a decline in volume of tomatoes sold of approximately 10% in the second quarter of 2023, compared to the same prior year period. Partially offsetting this decrease was an increase in the sales price per carton of tomatoes by approximately 5%.

Six Months Ended April 30, 2023 vs. Six Months Ended April 30, 2022

Net sales for the Grown products business decreased by approximately \$114.8 million, or 31%, for the six months ended April 30, 2023, compared to the corresponding period in fiscal 2022. The decrease in Grown product sales during the six months ended April 30, 2023, was primarily related to lower sales prices of avocados due to higher overall supply of avocados in the marketplace. Partially offsetting this decrease, tomato sales increased due to an increase in sales prices per carton, due to lower supply of tomatoes in the marketplace.

Sales of avocados decreased \$117.6 million, or 35%, for the six months ended April 30, 2023, compared to the prior year period. The average avocado sales price per carton decreased 39% compared to the prior year period. The decrease in the sales price per carton was mainly due to an industry-wide increase in supply of avocados in the marketplace. The volume of avocados sold in the first quarter of 2023 increased 7% compared to the prior year period. We expect avocado volumes in the fiscal second half to exceed prior year levels.

Sales of tomatoes increased \$2.7 million, or 10%, for the six months ended April 30, 2023, when compared to the prior year period. The increase in tomato sales was primarily due to a 17% increase in the sales price per carton, due to lower supply of tomatoes in the marketplace.

*Prepared products*

Second Quarter 2023 vs. Second Quarter 2022

Net sales for the Prepared products business decreased by approximately \$16.5 million, or 14%, for the three months ended April 30, 2023 compared to the corresponding period in fiscal 2022. This decrease in Prepared product sales during the three months ended April 30, 2023 was primarily related to lower sales volume of fresh-cut fruit & vegetables, prepared foods and guacamole products.

Net sales for fresh-cut products decreased \$15.1 million, or 15%, for the quarter ended April 30, 2023 compared to the corresponding period in fiscal 2022. This decrease was primarily driven by lower sales volume of 19%, partially offset by an increase of 6% of average sales prices. Net sales for guacamole products decreased \$2.2 million, or 11%, for the quarter ended April 30, 2023 compared to the corresponding period in fiscal 2022, primarily due to a decrease in the total volume of pounds sold.

Six Months Ended April 30, 2023 vs. Six Months Ended April 30, 2022

Net sales for the Prepared products business decreased by approximately \$20.2 million, or 9%, for the six months ended April 30, 2023 compared to the corresponding period in fiscal 2022. This decrease in Prepared product sales during the six months ended April 30, 2023 was primarily related to lower sales volume of fresh-cut fruit & vegetables, prepared foods and guacamole products.

Net sales for fresh-cut products decreased \$16.9 million, or 9%, for the six months ended April 30, 2023 compared to the corresponding period in fiscal 2022. This decrease was primarily driven by lower sales volume of 16%, partially offset by an increase of 11% of sales prices. Net sales for guacamole products decreased \$4.2 million, or 12%, for the six months ended April 30, 2023 compared to the corresponding period in fiscal 2022, primarily due to a decrease in the total volume of pounds sold.

**Gross Profit**

The following table summarizes our gross profit and gross profit percentages by business segment for the three and six months ended April 30, 2023 and 2022:

	Three months ended April 30,			Six months ended April 30,		
	2023	Change	2022	2023	Change	2022
<b>Gross profit (loss):</b>						
Grown	\$ 12,599	(31)%	\$ 18,156	\$ 22,080	(26)%	\$ 29,822
Prepared	2,438	(32)%	3,585	7,389	44 %	5,147
Total gross profit	<u>\$ 15,037</u>	(31)%	<u>\$ 21,741</u>	<u>\$ 29,469</u>	(16)%	<u>\$ 34,969</u>
<b>Gross profit (loss) percentages:</b>						
Grown	9.0 %		8.6 %	8.5 %		8.0 %
Prepared	2.3 %		3.0 %	3.5 %		2.2 %
Consolidated	6.1 %		6.6 %	6.3 %		5.8 %

*Summary*

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

Gross profit decreased by approximately \$6.7 million, or 31%, for the second quarter of fiscal 2023 compared to the corresponding period in fiscal 2022. The decrease was primarily attributable to gross profit decreases in both the Prepared and Grown segments.

Gross profit decreased by approximately \$5.5 million, or 16%, for the six months ended April 30, 2023, compared to the corresponding period in fiscal 2022. The decrease was primarily attributable to a gross profit decrease in the Grown segment, partially offset, by a gross profit increase in the Prepared segment.

*Grown products*

The decrease in our Grown products gross profit for the quarter ended April 30, 2023 was primarily the result of decreased gross profit for avocados. Overall gross profit decreased for avocados as did gross profit per carton, while the overall gross profit percentage increased. For the second quarter of fiscal 2023, the gross profit percentage for avocados was 9.3% compared to 8.5% for the second quarter of 2022. The increase in gross profit percentage was largely a formulaic result as the decrease in sales prices for avocados was proportionately greater than the decrease in gross profit per case.

Gross profit for the quarter was also affected by the change in the value of the U.S dollar in relation to the Mexican peso during the quarter, resulting in a \$1.0 million net gain related the remeasurement of peso-dominated net assets at our Mexican subsidiaries. This is in comparison to a remeasurement loss of \$0.5 million for the same period last year.

The decrease in our Grown products gross profit for the six months ended April 30, 2023 was primarily the result of decreased gross profit for avocados. Overall gross profit decreased for avocados as did gross profit per carton, while the overall gross profit percentage increased. For the six months ended April 30, 2023, the gross profit percentage for avocados was 8.7% compared to 7.9% for the six months ended April 30, 2022. The increase in gross profit percentage was largely a formulaic result as the decrease in sales prices for avocados was proportionately greater than the decrease in gross profit per case.

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Gross profit for six months ended April 30, 2023, was also affected by the change in the value of the U.S dollar in relation to the Mexican peso, resulting in a \$2.2 million net gain related the remeasurement of peso-dominated net assets at our Mexican subsidiaries. This is in comparison to a remeasurement loss of \$0.9 million for the same period last year.

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

#### *Prepared products*

The decrease in our Prepared products gross profit for the three months ended April 30, 2023 was the result of decreased gross profit for fresh-cut fruit & vegetables products, partially offset by an increase in guacamole products. The increase in our Prepared products gross profit for the six months ended April 30, 2023 was the result of increased gross profit for guacamole products, partially offset by decreases in gross profit for fresh-cut fruit & vegetable products

Fresh-cut fruit & vegetables and prepared foods products gross loss percentage for the three months ended April 30, 2023 was (0.9)%, compared to profit of 2.2% for the same prior year period. Fresh-cut fruit & vegetables and prepared foods products gross profit percentage for the six months ended April 30, 2023 was 0.3%, compared to profit of 0.8% for the same prior year period. The decreases in gross profit for the three and six months ended April 30, 2023 was mainly due to increased commodity costs, lack of availability of key commodities and lower supply.

Guacamole products gross profit percentage for the three months ended April 30, 2023 was 21.8%, compared to a gross profit of 7.9% for the prior year period. Guacamole products gross profit percentage for the six months ended April 30, 2023 was 23.7%, compared to a gross profit of 10.9% for the prior year period. The increase in gross profit percentage for the three and six months ended April 30, 2023 in guacamole products was primarily due to lower raw product fruit costs and lower manufacturing costs. Any significant fluctuation in the cost of fruit used in the production process or the exchange rate between the U.S. dollar and the Mexican peso may have a material impact on future gross profit for our Prepared segment.

#### ***Selling, General and Administrative***

	<u>Three months ended April 30,</u>			<u>Six months ended April 30,</u>		
	<u>2023</u>	<u>Change</u>	<u>2022</u>	<u>2023</u>	<u>Change</u>	<u>2022</u>
	<u>(Dollars in thousands)</u>			<u>(Dollars in thousands)</u>		
Selling, general and administrative	\$ 18,076	9 %	\$ 16,551	\$ 34,429	8 %	\$ 31,745
Percentage of net sales	7.4 %		5.0 %	7.3 %		5.2 %

Selling, general and administrative expenses of \$18.1 million for the three months ended April 30, 2023 include costs of marketing and advertising, sales expenses (including broker commissions) and other general and administrative costs. Selling, general and administrative expenses increased by \$1.5 million, or 9%, for the three months ended April 30, 2023 compared to the prior year period. This increase was primarily due to \$1.2 million in severance and other costs and \$1.2 million in stock-based compensation related to the departure of our former Chief Executive Officer. In addition, we incurred \$0.7 million in a legal settlement and associated legal costs. Partially offsetting these increases are decreases to our bonus accrual and other corporate expenses.

Selling, general and administrative expenses of \$34.4 million for the six months ended April 30, 2023 include costs of marketing and advertising, sales expenses (including broker commissions) and other general and administrative costs. Selling, general and administrative expenses increased by \$2.7 million, or 8%, for the six months ended April 30, 2023 compared to the prior year period. This increase was primarily due to \$1.2 million in severance and other costs and \$1.2 million in stock-based compensation related to the departure of our former Chief Executive Officer. In addition, we incurred \$0.7 million in a legal settlement and associated legal costs. Partially offsetting these increases are decreases to our bonus accrual and other corporate expenses.

**Loss from unconsolidated entities**

	<u>Three months ended April 30,</u>			<u>Six months ended April 30,</u>		
	<u>2023</u>	<u>Change</u>	<u>2022</u>	<u>2023</u>	<u>Change</u>	<u>2022</u>
	<u>(Dollars in thousands)</u>			<u>(Dollars in thousands)</u>		
Income (loss) from unconsolidated entities	\$ (56)	600 %	\$ (8)	\$ 100	(118)%	\$ (543)

Income (loss) from unconsolidated entities includes our participation in earnings or losses from our investments in Don Memo. For the three months ended April 30, 2023 and 2022 we realized losses of \$0.1 million and losses of less than \$0.1 million from Agricola Don Memo, respectively. For the six months ended April 30, 2023 and 2022 we realized income of \$0.1 million and losses of \$0.5 million from Agricola Don Memo, respectively.

**Income Taxes Benefit (Provision)**

	<u>Three months ended April 30,</u>			<u>Six months ended April 30,</u>		
	<u>2023</u>	<u>Change</u>	<u>2022</u>	<u>2023</u>	<u>Change</u>	<u>2022</u>
Income tax benefit (provision)	\$ (484)	(359)%	\$ 187	\$ 596	(56)	\$ 1,347
Effective tax rate	(13.9)%		40.4 %	8.1 %		23.3 %

Our tax provision is determined using an estimated annual effective tax rate and adjusted for discrete taxable events that may occur during the quarter. We recorded an income tax expense of \$0.5 million and an income tax benefit of \$0.6 million for the three months and six months ended April 30, 2023, respectively; compared with an income tax expense of \$0.2 million and an income tax expense of \$1.3 million for the three months and six months ended April 30, 2022, respectively. The change in income taxes was primarily attributable to our change in forecast in 2023 related to the operation result in US and foreign jurisdictions.

Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. A significant piece of objective positive evidence evaluated was the cumulative income, as adjusted for non-recurring items, incurred over the three-year period ended April 30, 2023. Based on this evaluation, as of April 30, 2023, no additional valuation allowance has been recorded and we recognized the full amount of the deferred tax asset that is more likely than not to be realized. The amount of the deferred tax asset considered realizable, however, could be adjusted in the subsequent periods if estimates of future taxable income are reduced or if objective negative evidence in the form of cumulative losses is present. Any future changes in the deferred tax asset realizability assertion may require a valuation allowance to reduce our deferred tax assets, which would increase our tax expense in the period the allowance is recognized and affect our results of operations.

**Liquidity and Capital Resources**

Cash used in operating activities was \$3.8 million for the six months ended April 30, 2023, compared to cash provided by operating activities of \$21.3 million for the corresponding period in fiscal 2022. Cash provided by operating activities for the six months ended April 30, 2023 reflect primarily our net loss of \$6.8 million, plus add-backs for non-cash activities (depreciation and amortization, stock-based compensation expense, provision for losses on accounts receivable, losses from unconsolidated entities, loss on disposal of property, plant and equipment, and gain on the sale of the Temecula packinghouse) of \$13.7 million and net cash used in the components of our working capital of approximately \$10.8 million.

Decreases in operating cash flows caused by working capital changes include an increase in accounts receivable of \$9.8 million, an increase in other assets of \$7.4 million, an increase in inventory of \$4.4 million, an increase in prepaid expenses and other current assets of \$1.7 million and an increase in income taxes receivable of \$0.9 million and, partially offset by a net increase in accounts payable, accrued expenses and other liabilities of \$6.7 million, an increase in payable to growers of \$6.6 million, and a decrease in advances to suppliers of \$0.1 million.

The increase in other assets as of April 30, 2023, when compared to October 31, 2022, is primarily due to an increase in Mexican IVA taxes receivable. The increase in our accounts receivable is due to an increase in sales for the month of

April 2023 compared to October 2022. The increase in our inventory as of April 30, 2023, when compared to October 31, 2022, is primarily due to higher inventory of Mexican Avocados. The increase in income taxes receivable is due to the tax impact of the first and second quarters of fiscal 2023 results. The decrease in payable to growers is mostly due to decreased cost per unit, resulting from increased supply for Mexican avocados in the month of April 2023 compared to October 2022. The increase in accounts payable, accrued expenses and other liabilities is primarily related to an increase in payables related to an increase in sales volume in April 2023 compared to October 2022. The decrease in advances to suppliers is mainly due to the offsetting liabilities incurred on the sales of tomatoes to our consignment growers.

Cash used in investing activities was \$8.4 million for the six months ended April 30, 2023, which related to purchases of property, plant, and equipment.

Cash provided by financing activities was \$13.3 million for the six months ended April 30, 2023, which related principally to net receipts on our credit facilities totaling \$21.0 million, partially offset by the payments of a \$6.9 million dividends and payments on long-term obligations of \$0.9 million.

Our principal sources of liquidity are our existing cash reserves, cash generated from operations and amounts available for borrowing under our existing credit facilities. Cash and cash equivalents as of April 30, 2023 and October 31, 2022 totaled \$4.2 million and \$3.1 million. Our working capital at April 30, 2023 was \$29.0 million, compared to \$23.7 million at October 31, 2022.

We believe that cash flows from operations, the available Credit Facility, and other sources will be sufficient to satisfy our future capital expenditures, grower recruitment efforts, working capital and other financing requirements for at least the next twelve months. We will continue to pursue grower recruitment opportunities and expand relationships with retail and/or foodservice customers to fuel growth in each of our business segments. We have a revolving credit facility with Bank of America as administrative agent and Farm Credit West as joint lead arranger. Under the terms of this agreement, we may draw on funds for both working capital and long-term productive asset purchases. Total credit available under this agreement, subject to borrowing base calculations, is \$80 million, and it expires in January 2026. For our Credit Facility the weighted-average interest rate was 6.2% and 4.9% at April 30, 2023 and October 31, 2022. Under the Credit Facility we had \$22.2 million and \$1.2 million outstanding as April 30, 2023 and October 31, 2022.

On November 1, 2022, we entered into a Seventh Amendment to our Credit Facility, which permitted us to declare cash dividends so long as (i) after giving effect to any such dividend a new Consolidated Dividend Adjusted Fixed Charge Coverage Ratio is not less than 1.20 to 1.00 and (ii) any such cash dividends are paid in the same fiscal quarter in which they are declared.

As of April 30, 2023, we were in compliance with the financial covenants as in effect on that date, and we expect to remain in compliance. As of April 30, 2023, approximately \$18.3 million was available for borrowing based on our borrowing base calculation discussed above.

### **Contractual Commitments**

There have been no other material changes to our contractual commitments from those previously disclosed in our Annual Report on Form 10-K for our fiscal year ended October 31, 2022. For a summary of the contractual commitments at October 31, 2022, see Part II, Item 7, in our 2022 Annual Report on Form 10-K.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Our financial instruments include cash and cash equivalents, accounts receivable, payable to growers, accounts payable, current and long-term borrowings pursuant to our Credit Facility, and long-term, fixed-rate obligations. All of our financial instruments are entered into during the normal course of operations and have not been acquired for trading purposes. The table below summarizes interest rate sensitive financial instruments and presents principal cash flows in U.S. dollars, which is our reporting currency, and weighted-average interest rates by expected maturity dates, as of April 30, 2023.

(All amounts in thousands)	Expected maturity date April 30,						Total	Fair Value
	2024	2025	2026	2027	2028	Thereafter		
<b>Assets</b>								
Cash and cash equivalents (1)	\$ 4,198	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4,198	\$ 4,198
Accounts receivable (1)	68,827	—	—	—	—	—	68,827	68,827
Advances to suppliers (1)	13,271	—	—	—	—	—	13,271	13,271
<b>Liabilities</b>								
Payable to growers (1)	\$ 26,834	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 26,834	\$ 26,834
Accounts payable (1)	19,176	—	—	—	—	—	19,176	19,176
Borrowings pursuant to credit facilities (1)	—	—	22,200	—	—	—	22,200	22,200

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

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

Our Mexican-based operations transact a significant portion of business in Mexican pesos. Funds are transferred by our corporate office to Mexico on a weekly basis to satisfy Mexican cash needs. We do not currently use derivative instruments to hedge fluctuations in the Mexican peso to U.S. dollar exchange rates. Management does, however, evaluate this opportunity from time to time. Total foreign currency remeasurement gains for the three and six months ended April 30, 2023, net of losses, was \$1.0 million and \$2.2 million. Total foreign currency remeasurement losses for the three and six months ended April 30, 2022, net of gains, was \$0.3 million and \$0.9 million.

**ITEM 4. CONTROLS AND PROCEDURES**

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

There were no changes in the Company's internal control over financial reporting during the quarter ended April 30, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.



## **PART II. OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

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

### **ITEM 1A. RISK FACTORS**

For a discussion of our risk factors, see Part I, Item 1A “Risk Factors” of our Annual Report on Form 10-K for the year ended October 31, 2022. Except as set forth below, there have been no material changes from the risk factors set forth in such Annual Report on Form 10-K. However, the risks and uncertainties that we face are not limited to those set forth in such Annual Report on Form 10-K. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business and the trading price of our common stock.

### **ITEM 5. OTHER INFORMATION**

Because this Quarterly Report on Form 10-Q is being filed within four business days after the applicable triggering event, the information below is being disclosed under this Item 5 instead of under Item 5.02 (Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers) of Form 8-K.

On May 31, 2023, Danny Dumas, Senior Vice President Calavo Grown, gave notice of his resignation effective June 1, 2023. Pursuant to his employment agreement, Mr. Dumas will be entitled to severance payments payable upon termination for good reason described in Calavo’s proxy statement for the 2023 Annual Meeting of Shareholders filed with the Securities and Exchange Commission on February 28, 2023.

**ITEM 6. EXHIBITS**

- 10.1 [Severance and Release Agreement of Brian Kocher.](#) \*
- 10.2 [Employment Agreement of Lecil E. Cole.](#) \*
- 10.3 [Employment Agreement - Graciela Montgomery.](#) \*
- 10.4 [Form of Restricted Stock Unit Award Grant Notice.](#) \*
- 31.1 [Certification of Chief Executive Officer Pursuant to 15 U.S.C. § 7241, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#) \*
- 31.2 [Certification of Chief Financial Officer Pursuant to 15 U.S.C. § 7241, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#) \*
- 32.1 [Certification by Chief Executive Officer and Chief Financial Officer of Periodic Report Pursuant to 18 U.S.C. Section 1350.](#) \*\*
- 101 The following financial information from the Quarterly Report on Form 10-Q of Calavo Growers, Inc. for the quarter ended April 30, 2023, formatted in Inline XBRL (Extensible Business Reporting Language) includes: (1) Consolidated Condensed Balance Sheets as of April 30, 2023 and October 31, 2022; (2) Consolidated Condensed Statements of Operations for the three and six months ended April 30, 2023 and 2022; (3) Consolidated Condensed Statements of Cash Flows for the six months ended April 30, 2023 and 2022; (4) Consolidated Statements of Shareholders' Equity for the three and six months ended April 30, 2023 and 2022; and (5) Notes to Consolidated Condensed Financial Statements.
- 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

\* Filed with this Form 10-Q.

\*\* This certification is being furnished solely to accompany this report pursuant to 18 U.S.C. 1350, and is not being filed for purposes of Section 18 of the Exchange Act.

**SIGNATURES**

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

Calavo Growers, Inc.  
(Registrant)

Date: June 6, 2023

By /s/ Lecil E. Cole  
Lecil E. Cole  
Chief Executive Officer  
(Principal Executive Officer)

Date: June 6, 2023

By /s/ Shawn Munsell  
Shawn Munsell  
Chief Financial Officer  
(Principal Financial Officer)

**SEVERANCE AND RELEASE AGREEMENT**

THIS SEVERANCE AND RELEASE AGREEMENT (“Agreement”) is made and entered into by and between Calavo Growers, Inc. (“Calavo”) and Brian Kocher (“Employee”).

WHEREAS, Calavo and Employee are parties to an Employment Agreement dated December 20, 2021 (the “Employment Agreement”);

WHEREAS, The Company and the Employee acknowledge that the Employee’s employment with the Company terminated effective

10-MAR-23 

WHEREAS, in connection with termination of Employee’s employment with the Company and as a condition to payment and provision of the compensation and benefits described in Section 5 of the Employment Agreement (collectively, the “Separation Pay and Benefits”), the Company and the Employee wish to enter into this Agreement.;

NOW THEREFORE, in consideration of and exchange for the promises, covenants, and releases contained herein, the parties mutually agree as follows:

1. Severance Pay and Benefits. Calavo agrees to pay to and provide Employee with the Separation Pay and Benefits.
2. No Amounts Owing. Employee acknowledges that he has received all wages, compensation, vacation pay, and expense reimbursements due through the date of execution of this Agreement.
3. Release by Employee & Promise Not to Sue.

(a) Release. Employee agrees for Employee, Employee’s heirs, executors, administrators, agents, successors and assigns to forever release and discharge the “Released Parties” (as defined below) from any and all claims, debts, promises, agreements, demands, causes of action, attorneys’ fees, losses and expenses of every nature whatsoever, known or unknown, suspected or unsuspected, filed or unfiled, based on anything that happened or did not happen at any time up to and including the date that Employee signs this Agreement (“Claims”). This total release includes, but is not limited to: (1) all Claims arising directly or indirectly from Employee’s employment with Calavo, the termination of that employment, and to salary, bonuses, commissions, vacation pay, fringe benefits and expense reimbursements pursuant to any federal, state or local law; (2) all common law Claims, including, but not limited to, breach of contract, breach of the implied covenant of good faith and fair dealing, infliction of emotional harm, wrongful discharge, violation of public policy, defamation and impairment of economic opportunity; (3) all Claims arising under the California Constitution, the California Labor Code, and/or California Business & Professions Code; (4) all Claims arising under any law prohibiting discrimination based upon any protected characteristic (including, but not limited to, age, race, sex, national origin, religion, sexual orientation, and disability/handicap status), including, but not limited to, all Claims arising under the Civil Rights Act of 1866, Title VII of the Civil Rights Act of 1964, the Americans With Disabilities Act of 1990, Section 503 of the Rehabilitation Act of 1973, 29 CFR §§ 1625.22-1625.23, the Older Workers Benefit Protection Act, 29 USC §§621, 623,626,623, and the California Government Code; (5) all Claims arising under the California

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and Federal Family and medical Leave Acts and the Employee Retirement Income Security Act of 1974, as amended; and (6) all Claims arising under any law/cause of action (whether federal, state, or local) governing the employment relationship. "Released Parties" means Calavo, Calavo's past, present, and future parents, subsidiaries, affiliates, and Calavo's Affiliates; all of the foregoing entities' successors and assigns; all of the foregoing entities' officers, directors, agents, employees, insurers, attorneys, representatives, benefit plans (including such plans' insurers, administrators, and fiduciaries), and the like; and any other person/entity claimed to be jointly and/or severally liable with Calavo or through which (or in concert with) Calavo has acted with respect to Employee.

(b) Agreement Not to Sue. Employee shall not file suit in any court (or join any suit or accept relief in any suit) against any of the Released Parties asserting, pleading, or raising any claims released/waived by this Agreement. Employee shall pay the reasonable attorneys' fees and costs that any of the Released Parties incurs in defending against any such released/waived claims.

(c) Retained Claims. Notwithstanding the foregoing, the release provided herein does not extend to and the Employee is not releasing (i) any rights or claims as an equity holder in the Company or any Releasees, (ii) rights to or claims for indemnification or advancement of expenses, (iii) Separation Pay and Benefits, (iv) those rights under the Employment Agreement which by their terms expressly survive the termination of Employee's employment, and (v) claims that cannot be released as a matter of law (collectively, the "Retained Claims").

4. Right to Participate In Administrative Proceedings. Nothing herein shall be construed to foreclose Employee's right to file a charge with or participate in a charge by the Equal Employment Opportunity Commission, or any other local, state, or federal administrative body or government agency that is authorized to enforce or administer laws related to employment, against the Company (with the understanding that Employee's release of claims herein bars Employee from recovering such monetary relief from the Company or any Releasee, other than an award from a government administered whistleblower award program), claims for unemployment compensation or any state disability insurance benefits pursuant to the terms of applicable state law, or claims to continued participation in certain of the Company's group benefit plans pursuant to the terms and conditions of COBRA.

5. Newly Discovered Facts. Employee hereby acknowledges that he may hereafter discover facts different from or in addition to those that he now knows or believes to be true when he expressly agreed to assume the risk of the possible discovery of additional facts, and he agrees that this Agreement will be and remain effective regardless of such additional or different facts. Employee expressly agrees that this Agreement shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown or unsuspected claims, demands, causes of action, governmental, regulatory or enforcement actions, charges, obligations, damages, liabilities, and attorneys' fees and costs, if any, as well as those relating to any other claims, demands, causes of action, obligations, damages, liabilities, charges, and attorneys' fees and costs specified herein.

6. Waiver of Section 1542. Employee hereby states that it is Employee's intention in executing this Agreement that the same shall be effective as a bar to each and every claim, demand, cause of action, obligation, damage, liability, charge, attorneys fees and costs hereinabove released whether known or unknown, suspected or unsuspected. Employee hereby expressly waives and relinquishes all rights and benefits, if any, arising under the provisions of Section 1542 of the Civil Code of the State of California which provides:

"A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party."

7. Entire Agreement. This Agreement embodies the entire agreement of the parties hereto and supersedes any and all other agreements, understandings, negotiations, or discussions, either oral or in writing, express or implied, between the parties to this Agreement or between Employee and any Calavo Affiliate. The parties to this Agreement each acknowledge that no representations, inducements, promises, agreements or warranties, oral or otherwise, have been made by them, or anyone acting on their behalf, which are not embodied in this Agreement.

8. Binding Nature. This Agreement, and all the terms and provisions contained herein, shall bind the heirs, personal representatives, successors and assigns of each party, and inure to the benefit of each party, its or her agents, directors, officers, employees, servants, successors, and assigns, as well as all of the Released Parties.

9. Construction. This Agreement shall not be construed in favor of one party or against the other.

10. Partial Invalidity. Should any portion, word, clause, phrase, sentence or paragraph of this Agreement be declared void or unenforceable, such portion shall be considered independent and severable from the remainder, the validity of which shall remain unaffected.

11. Compliance with Terms. The failure to insist upon compliance with any term, covenant or condition contained in this Agreement shall not be deemed a waiver of that term, covenant or condition, nor shall any waiver or relinquishment of any right or power contained in this Agreement at any one time or more times be deemed a waiver or relinquishment of any right or power at any other time or times.

12. Governing Law. This Agreement shall be interpreted under the law of the State of California, both as to interpretation and performance.

13. Section Headings. The section and paragraph headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

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

15. Knowing and Voluntary Waiver. The Employee acknowledges and agrees that: (1) he has carefully read and fully understands the terms of this Agreement, including its release-of-claims provisions; (2) he has been given adequate time to consider, and (if he desires) to consult with an attorney about, whether to sign this agreement; and (3) he signs this agreement knowingly, freely, and voluntarily—without any coercion, duress, or undue influence.

16. Time To Review Agreement/Right to Revoke. Employee acknowledges that he is knowingly and voluntarily waiving and releasing any rights he may have under the Age Discrimination in Employment Act of 1967 (“ADEA”). He also acknowledges that the consideration given for the waiver and release in this Agreement is in addition to anything of value to which he was already entitled. Employee further acknowledges that he has been advised by this writing, as required by the Older Workers’ Benefit Protection Act, that:

(a) His waiver and release do not apply to any rights or claims that may arise after the date of Employee’s execution of this Agreement;

(b) Employee has been and is hereby advised in writing to consult with an attorney prior to signing this Agreement;

(c) Employee has been provided a full and ample opportunity to study this Agreement, including a period of at least twenty-one (21) days within which to consider it;

(d) to the extent Employee takes less than twenty-one (21) days to consider this Agreement prior to execution, Employee acknowledges that Employee has had sufficient time to consider this Agreement, and that Employee expressly, voluntarily and knowingly waives any additional time;

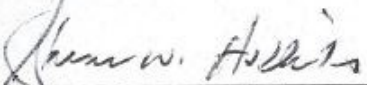
(e) Employee is aware of his right to revoke this Agreement at any time within a seven (7) day period following the date Employee executes this Agreement. Employee may revoke this Agreement within seven days of Employee’s signing it by delivering a written notice of revocation to Calavo’s executive offices addressed to Calavo’s then Chief Executive Officer; and

(f) this Agreement shall not be effective or enforceable until the seven-day revocation period has expired. If the last day of the revocation period is a Saturday, Sunday, or legal holiday, then the revocation period shall not expire until the next following day which is not a Saturday, Sunday, or legal holiday.

IN WITNESS WHEREOF, the parties have executed this Agreement on the respective dates set forth below.

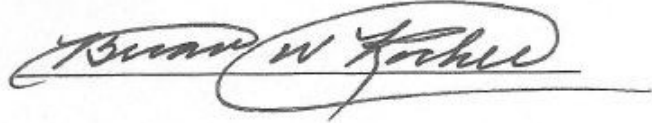
Dated: 3/14/23

Calavo Growers, Inc.

By:   
Name: STEVEN W. HOLLISTON  
Its: CHAIRMAN

Dated: 14-Mar-23

Brian Kocher





**EMPLOYMENT AGREEMENT**

This Employment Agreement (this “**Agreement**”) is entered into as of \_\_\_\_\_, 2023, by and between Calavo Growers, Inc., a California corporation (the “**Employer**”), and Lecil E. Cole (the “**Employee**”).

**RECITAL**

The Employer desires to employ the Employee as the Employer’s President and Chief Executive Officer, and the Employee desires to accept such employment, upon the terms set forth in this Agreement.

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

**1. EMPLOYMENT.**

(a) **Term of Employment.** Subject to Section l(b) below, the Employer hereby employs the Employee, and the Employee hereby accepts employment with the Employer (“**Employment**”), in accordance with the terms and conditions of this Agreement. The term of the Employee’s Employment under the terms of this Agreement (the “**Term of Employment**”) shall commence on March [●], 2023 (the “**Commencement Date**”) and shall continue until March [●], 2026, unless terminated by the Employer or Employee as provided herein.

(b) **At Will Employment.** Notwithstanding the foregoing, the Employer has the right to terminate the Employee’s Employment at any time, with or without prior notice, and with or without cause and for any reason or for no specified reason, subject to the terms of Section 5 below of this Agreement. The Employee has the right to terminate his Employment at any time, with or without prior notice, subject to the terms of Section 5 below of this Agreement. The Employee is employed by the Employer “at will” and this Agreement does not provide the Employee with any right to continue in the Employment of the Employer for any minimum or specified period.

**2. POSITION, DUTIES, AUTHORITY AND EXCLUSIVITY OF SERVICES.**

(a) **Position.** During the Term of Employment, the Employee shall serve as the Employer’s President and Chief Executive Officer (or such other title as the parties may mutually agree upon from time to time).

(b) **Reporting.** The Employee shall report on a regular basis directly to, and shall be subject to the supervision and direction of, the Employer’s Chairman of the Board of

Directors, and the Board of Directors in general.

(c) **Duties, Responsibilities and Authority.** The Employee's duties, responsibilities and authority shall consist of the duties of President and Chief Executive Officer, as determined by the Board of Directors of the Employer. The Employee shall be responsible for diligently and competently performing all services and acts that are necessary or advisable to fulfill those duties and responsibilities and shall render such services on the terms set forth in this Agreement. The Employee shall at all times be subject to, observe and carry out such reasonable employment-related rules, regulations and policies as the Employer's Board of Directors may from time to time establish for the Employer's employees, including, without limitation, the Employer's Employee Handbook, Insider Trading Policy and Code of Business Conduct and Ethics.

(d) **Principal Business Office.** Without restricting any requirement that the Employee engage in reasonable business-related travel, the principal location in which the Employee shall be required to perform his duties and responsibilities shall be the Employer's Corporate Headquarters, which are presently located at 1141A Cummings Road, Santa Paula, California 93060.

(e) **Exclusivity of Services.** Except for sick leave and other forms of leave that are permitted under the Employer's rules, regulations and policies and except for the paid vacation time or paid time off to which Employee may be entitled, the Employee shall, throughout the Term of Employment, devote his full business time and attention during the Employer's normal business hours to serving in the position described in this Agreement and to the performance of his duties and responsibilities in good faith and to the best of his ability. The Employee may spend reasonable time managing his personal and family business and affairs and engaging in civic, educational, social, and charitable activities, so long as the same do not conflict or interfere with performance of his duties hereunder. The Employee may continue to serve on the boards of directors on which he serves as of the date of this Agreement. The Employee may serve on the board of directors of other for-profit entities with the prior written consent of the Employer's Board, which will not be unreasonably withheld.

### 3. **COMPENSATION.**

(a) **Base Salary.** For services rendered during the Term of Employment, the Employer shall pay the employee a base salary in the initial amount of \$64,480, which amount shall be increased as necessary to match the minimum wage mandated by law for an exempt employee.

(b) **Long Term Incentive Award.** In addition to the foregoing, and in lieu of participating in the long-term incentive program that the Compensation Committee may offer to other executives, the Employer will grant to the Employee, pursuant to the Employer's 2020

Equity Incentive Plan, a stock option to purchase 500,000 shares of the Employer's common stock (the "**Option**"), which shall vest in the following four (4) tranches upon satisfaction of the milestones described below (each, a "**Milestone**"):

(i) 200,000 shares subject to the Option shall vest and become exercisable on the one-year anniversary of the Commencement Date;

(ii) 100,000 shares subject to the Option shall vest and become exercisable (1) if the closing price per share of the Employer's common stock, as reported by The Nasdaq Stock Market ("**Nasdaq**"), is greater than or equal to \$50.00 (the "**Target Share Price**"), and (2) the average closing price per share of the Employer's common stock for any thirty (30) day period following achievement of the Target Share Price (the "**Thirty-day Average Share Price**"), is greater than or equal to \$50.00, as reported by Nasdaq;

(iii) 100,000 shares subject to the Option shall vest and become exercisable (1) upon achievement of the Target Share Price, and (2) the Thirty-day Average Share Price is greater than or equal to \$60.00, as reported by Nasdaq; and

(iv) 100,000 shares subject to the Option shall vest and become exercisable (1) upon achievement of the Target Share Price; and (2) the Thirty-day Average Share Price is greater than or equal \$70.00;

*provided, however*, that satisfaction of each Milestone is subject to the Employee continuing as the President and Chief Executive Officer of the Employer through each vesting event; and *provided further* that regardless of when the Employee achieves the Milestones set forth in subsections (ii) through (iv) above, the applicable tranche shall only vest on or after the one-year anniversary of the Commencement Date. All other terms and conditions of the Option shall be governed by the terms and conditions of the Employer's 2020 Equity Incentive Plan and the stock option agreement between the Employer and the Employee.

(c) **Withholding.** The Base Salary, Annual Bonuses and other payments to be made to the Employee under this Agreement are subject to the Employer's right to make customary and applicable deductions and withholdings, including, without limitation, for federal and state taxes, FICA, Medicaid and other customary payroll activities.

(d) **Clawback Provisions.** Notwithstanding any other provisions in this Agreement to the contrary, any incentive-based compensation, or any other compensation, paid to the Employee pursuant to this Agreement or any other agreement or arrangement with the Employer which is subject to recovery under any law, government regulation or stock exchange listing requirement, or which is subject to recovery under any clawback policy adopted by the Employer that is applicable to its executive officers, will be subject to such deductions and clawback as may be required to be made pursuant to such law, government

regulation or stock exchange listing requirement or pursuant to such Employer clawback policy. The Employer will make any determination for clawback or recovery in accordance with its determination of any applicable law or regulation based upon its review of any clawback policy adopted by the Employer.

(e) **Equity Interests in the Employer.** The Employee acknowledges and agrees that, except as set forth in this Agreement, the Employer has not made any representations or promises to him regarding his receipt of (1) stock options or other rights to acquire shares of the Employer's common stock under an employee stock plan or otherwise or (2) equity interests in the Employer, and that nothing in this Agreement entitles him to any such stock options, shares or other equity interests except as provided herein.

4. **EMPLOYEE BENEFITS, EXPENSE REIMBURSEMENT AND INDEMNIFICATION: 409(A) COMPLIANCE.**

(a) **Employee Benefits.** During the Term of Employment, the Employee shall be entitled to receive all benefits under any and all deferred compensation plans, retirement plans, life, disability, health, accident and other insurance programs, automobile allowances, and similar employee benefit plans and programs, sick leave, vacation time and paid time off (if any) that the Employer elects in its sole discretion to provide from time to time to its other executive officers (collectively referred to herein as the "**Benefits**"). However, the Employer reserves the right to terminate, reduce or otherwise amend any or all of the Benefits from time to time to the extent allowed by law, so long as such action applies generally to all of its executive officers. Except as otherwise required by applicable law or as provided herein and except as provided under the terms of the Employer's life, disability, health, accident and other insurance programs and similar employee benefit plans and programs, the Employee's right to receive Benefits shall terminate upon the termination of his Employment for any reason. The Employee shall be entitled to not less than four weeks vacation per year.

(b) **Business Expense Reimbursement.** Provided that the Employee provides appropriate documentation of his expenses, the Employee shall be entitled to receive full reimbursement for all reasonable out-of-pocket business expenses that are incurred by him during the Term of Employment in accordance with the policies and procedures established from time to time by the Employer. The Employee's rights under this paragraph shall terminate as of the date that his Employment terminates for any reason, provided that the Employer shall remain obligated to reimburse the Employee for any such expenses that were properly incurred by his during the Term of Employment.

(c) **Indemnification.** The Employer and the Employee shall enter into the Employer's form of indemnification agreement that is provided to members of the Employer's Board of Directors and its executive officers.

(d) It is the Employer's intention that the benefits and rights to which the Employee could become entitled to under this Agreement comply with, or alternatively fall within one of the exceptions to, Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder ("**Section 409A**"). If the Employee or the Employer believes, at any time, that any of such benefit or right does not comply, it shall promptly advise the other and shall negotiate reasonably and in good faith to amend the terms of such benefits and rights such that they comply (with the most limited possible economic effect on the Employee and on the Employer) with Section 409A.

#### 5. POST-EMPLOYMENT COMPENSATION.

(a) **General.** Except as specifically provided in this Agreement, the Employer shall have no obligation to make any compensation, severance or other payments to the Employee, or to provide any other benefits to the Employee, after the date of the termination of the Employee's Employment for any reason.

(b) **Base Salary.** Upon the termination of the Employee's Employment for any reason, the Employee shall not be entitled to receive any additional Base Salary payments from the Employer except:

(i) The Employee shall have the right to receive any earned but unpaid Base Salary and, to the extent required by law, accrued vacation pay or accrued paid time off, as of the date of the Employment termination; and

(ii) If the Employer terminates the Employee's Employment during the Term without Cause (as defined in this Agreement), or the Employer terminates his Employment during the Term for Good Reason (as defined in this Agreement), then, provided that the Employee executes a Separation and Release Agreement in the form attached to this Agreement as Exhibit A, the Employer shall: (1) credit the Employee one full year of service for purposes of determining vesting of the Option effective immediately prior to termination of Employee's employment; and (2) make COBRA payments on behalf of the Employee in an amount sufficient for the Employee to maintain his then-current group health benefits for one year. The Employee will be treated as an in-service employee for purposes of benefits continuation during any benefits continuation period. The payments and benefits described in this paragraph shall be subject to the Employer's right to make customary and applicable deductions and withholdings, including, without limitation, for federal and state taxes, FICA, Medicaid and other customary payroll activities. Such COBRA payments described above in clause (2) will include medical, dental, and vision insurance coverage, and all other Employer provided benefits. Under such circumstances, the Employer will also provide the Employee the option, for a period of thirty-six (36) months thereafter, at the Employee's own expense to continue his medical, dental, and vision benefits at the equivalent of his COBRA continuation cost, if and to the extent the continuation of such benefits is permitted under COBRA and other

applicable law and the terms of the insurance policies. The Employee shall not be entitled to receive the payments and benefits described in this paragraph if the Employer terminates the Employee's Employment for Cause or if he terminates his Employment other than for Good Reason.

(iii) For purposes of this Agreement, "**Cause**" means: (1) willful misconduct by the Employee with respect to the Employer that has a material adverse effect on the Employer and continues for a period of at least ten (10) days after written notice of such misconduct is given by Employer to the Employee; (2) the Employee's willful refusal to attempt to follow any proper written direction of the Chairman of the Board of Directors or the Board unless the Employee has a good faith reason to believe that such direction is illegal or is a violation of the Employer's rules, regulations and policies, which refusal shall continue for a period of at least ten days after written notice of such refusal is given by the Employer to the Employee; (3) the substantial and continuing refusal by the Employee to attempt to perform his duties required under this Agreement after written notice of demand for performance of such duties is delivered to the Employee by the Employer (which notice must specifically identify the manner in which the Employer believes the Employee has substantially and continually refused to attempt to perform his duties under this Agreement) and after such refusal to attempt to perform his duties has continued for at least ten days after his receipt of such notice; (4) the Employee's conviction of, or entry of a plea of guilty or nolo contendere to, a felony (other than a felony involving a traffic violation); (5) the Employee's theft, embezzlement or other criminal misappropriation of funds from the Employer; or (6) the Employee's willful breach of any other material provision of this Agreement or of the Employer's Employee Handbook, Insider Trading Policy or Code of Business Conduct and Ethics and such willful breach continues for at least ten (10) days after written notice from Employer to the Employee specifying the breach if such breach is curable.

(iv) For purposes of this Agreement, "**Good Reason**" means the occurrence, without the Employee's written consent, of any of the following: (1) any requirement (whether as a result of change in duties or otherwise) that Employee perform the majority of his hours of employment more than 35 miles from the Employer's Corporate Headquarters, if the Employer fails to remedy such change within thirty days after written notice is given by the Employee to the Employer; (2) any reduction in base salary; (3) any material reduction the Employee's title, duties, responsibilities or authority, including, without limitation, any adverse change in reporting relationship or assignment to Employee of duties inconsistent with position of Chief Executive Officer, which is not cured within thirty (30) days after written notice from the Employee to Employer; (4) any breach by the Employer of any material provision of this Agreement (whether or not described above), which breach is not cured by the Employer within thirty days after written notice of such breach is given by the Employee to the Employer; or (5) the failure of any successor to the Employer (whether direct or indirect or whether by merger, acquisition of assets, consolidation or otherwise) to assume in a writing delivered to the Employee the obligations of the Employer under this Agreement, if such assumption agreement is not delivered to the Employee within ten days after he provides the successor to the Employer with written notice of his desire to receive such agreement.

Notwithstanding the fore going, the Employee shall be deemed to have terminated his Employment for Good Reason for purposes of this Agreement only if he terminates his Employment within sixty days after the occurrence of the event described in this paragraph (including expiration of the applicable notice and cure period) that permits him to terminate his Employment for Good Reason.

**6. CONFIDENTIALITY/UNFAIR COMPETITION.**

**(a) Confidentiality.** The Employee shall at no time, either during his Employment or after the termination of his Employment for any reason, use or disclose to any person, directly or indirectly, any confidential or proprietary information concerning the business of the Employer, including, without limitation, any business secret, trade secret, financial information, software, internal procedure, business plan, marketing plan, pricing strategy or policy or customer list, except to the extent that such use or disclosure is (1) in connection with the good faith performance of the Employee's duties during the period that he is so employed, (2) required by an order of a court of competent jurisdiction, or (3) authorized in writing by the Employer's Chairman of the Board of Directors or the Board. The prohibition that is contained in the preceding sentence shall not apply to any information that is or becomes generally available to the public other than through an improper disclosure by the Employee or by a person acting in concert with him to effect such improper disclosure. Within five days after the termination of his Employment, the Employee shall return to the Employer all memoranda, notes and other documents in his possession or control that relate to the confidential information of the Employer. Upon the Employer's request, the Employee agrees to execute and deliver to the Employer any reasonable form of confidentiality agreement that the Employer requires generally from its employees.

**(b) Competition During the Term of Employment.** During his Employment, the Employee shall not, directly or indirectly (as owner, principal, agent, partner, officer, employee, independent contractor, consultant, shareholder or otherwise), (1) hire (or solicit for the purpose of hiring) or cause any other person to hire (or solicit for the purpose of hiring) any employee or officer of the Employer or (2) compete in any manner with the business then being conducted by the Employer. The prohibition that is set forth in the preceding sentence shall not be construed as prohibiting the Employee from acquiring and owning up to one percent of the outstanding common stock of any corporation whose common stock is traded on a national securities exchange.

**(c) Remedies.** If the Employee breaches any of the provisions of this Section or if the Employee breaches any of the terms of any other confidentiality or unfair competition agreement that he may enter into with the Employer, the Employer may, among its other remedies and notwithstanding any provision to the contrary in this Agreement, terminate all payments that are otherwise owed to the Employee under this Agreement, and the Employer shall be relieved of any obligation to make such payments to the Employee. Furthermore, the Employee acknowledges that damages and such termination of payments

would be an inadequate remedy for his breach of any of the provisions of this Section, and that his breach of any of such provisions will result in immeasurable and irreparable harm to the Employer. Therefore, in addition to any other remedy to which the Employer may be entitled by reason of the Employee's breach of any such provision, the Employer shall be entitled to seek and obtain temporary, preliminary and permanent injunctive relief restraining the Employee from committing or continuing any breach of any provision of this Section.

## 7. INVENTIONS/WORK PRODUCT

(a) **Work Product.** The Employee acknowledges and agrees that all writings, works of authorship, technology, inventions, discoveries, ideas and other work product of any nature whatsoever that are created, prepared, produced, authored, edited, amended, conceived or reduced to practice by the Employee individually or jointly with others during the period of his Employment by the Employer and relating in any way to the business or contemplated business, research or development of the Employer (regardless of when or where the Work Product is prepared or whose equipment or other resources is used in preparing the same) and all printed, physical and electronic copies, all improvements, *rights* and claims related to the foregoing, and other tangible embodiments thereof (collectively, "**Work Product**"), as well as any and all rights in and to copyrights, trade secrets, trademarks (and related goodwill), patents and other intellectual property rights therein arising in any jurisdiction throughout the world and all related rights of priority under international conventions with respect thereto, including all pending and future applications and registrations therefor, and continuations, divisions, continuations-in-part, reissues, extensions and renewals thereof (collectively, "**Intellectual Property Rights**"), shall be the sole and exclusive property of the Employer.

(b) **Work Made for Hire; Assignment.** The Employee acknowledges that, by reason of being employed by the Employer at the relevant times, to the extent permitted by law, all of the Work Product consisting of copyrightable subject matter is "work made for hire" as defined in 17 U.S.C. § 101 and such copyrights are therefore owned by the Employer. To the extent that the foregoing does not apply, the Employee hereby irrevocably assigns to the Employer, for no additional consideration, the Employee's entire right, title and interest in and to all Work Product and Intellectual Property Rights therein, including the right to sue, counterclaim and recover for all past, present and future infringement, misappropriation or dilution thereof, and all rights corresponding thereto throughout the world. Nothing contained in this Agreement shall be construed to reduce or limit the Employer's rights, title or interest in any Work Product or Intellectual Property Rights so as to be less in any respect than that the Employer would have had in the absence of this Agreement.

(c) **Further Assurances; Power of Attorney.** During and after his Employment, the Employee agrees to reasonably cooperate with the Employer to (1) apply for, obtain, perfect and transfer to the Employer the Work Product as well as an Intellectual Property Right in the Work Product in any jurisdiction in the world, and (2) maintain, protect



and enforce the same, including, without limitation, executing and delivering to the Employer any and all applications, oaths, declarations, affidavits, waivers, assignments and other documents and instruments as shall be requested by the Employer. The Employee hereby irrevocably grants the Employer a power of attorney to execute and deliver any such documents on the Employee's behalf in his name and to do all other lawfully permitted acts to transfer the Work Product to the Employer and further the transfer, issuance, prosecution and maintenance of all Intellectual Property Rights therein, to the full extent permitted by law, if the Employee does not promptly cooperate with the Employer's request (without limiting the rights the Employer shall have in such circumstances by operation of law). The power of attorney is coupled with an interest and shall not be affected by the Employee's subsequent incapacity.

#### **8. GENERAL PROVISIONS.**

(a) **Entire Agreement.** This Agreement (and any separate confidentiality agreements that may be entered into between the Employer and the Employee) constitutes the entire agreement of the Employer and the Employee relating to the terms and conditions of the Employee's Employment and supersedes all prior oral and written understandings and agreements relating to such subject matter.

(b) **Notices.** All notices required or permitted by this Agreement to be given by one party to the other party shall be delivered in writing, by email and by registered or certified United States mail (postage prepaid and return receipt requested) or by email and by reputable overnight delivery service, to the Employer or the Employee, as applicable, at the address that appears on the signature page of this Agreement (or to such other address that one party gives the other in the foregoing manner or, in the case of the Employee, to his principal residential address on file with the Employer). Any such notice that is sent in the foregoing manner shall be deemed to have been delivered three days after deposit in the United States mail or one day after delivery to an overnight delivery service.

(c) **Expenses.** Each party to this Agreement shall bear its own costs and expenses (including, without limitation, attorneys' fees) incurred in connection with this Agreement.

(d) **Amendment and Termination.** This Agreement may be amended or terminated only pursuant to a writing executed by the Employer and the Employee.

(e) **Successors and Assigns.** This Agreement shall be binding upon, and shall benefit, the Employer and the Employee and their respective successors and assigns (including, without limitation, the Employee's personal representative and beneficiaries and any corporation or other entity into which the Employer is merged); provided, however, that the Employee is not entitled to assign his obligations hereunder to another person. A successor of the Employer shall include, without limitation, any corporation or other entity that acquires, directly or indirectly, all or substantially all of the Employer's assets, whether by

merger, acquisition, lease or another form of transaction. Any such successor to the Employer referred to in this paragraph shall thereafter be deemed the "Employer" for purposes of this Agreement.

**(f) Calculation of Time.** Wherever in this Agreement a period of time is stated in a number of days, it shall be deemed to mean calendar days. However, when any period of time so stated would end upon a Saturday, Sunday or legal holiday, such period shall be deemed to end upon the next day following that is not a Saturday, Sunday or legal holiday.

**(g) Further Assurances.** Each of the Employer and the Employee shall perform any further acts and execute and deliver any further documents that may be reasonably necessary to carry out the provisions of this Agreement.

**(h) Provisions Subject to Applicable Law.** All provisions of this Agreement shall be applicable only to the extent that they do not violate any applicable law and are intended to be limited to the extent necessary so that they will not render this Agreement invalid, illegal or unenforceable under any applicable law. If any provision of this Agreement or any application thereof shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of other provisions of this Agreement or of any other application of such provision shall in no way be affected thereby.

**(i) Waiver of Rights.** Neither party shall be deemed to have waived any right or remedy that it has under this Agreement unless this Agreement expressly provides a period of time within which such right or remedy must be exercised and such period has expired or unless such party has expressly waived the same in writing. The waiver by either party of a right or remedy hereunder shall not be deemed to be a waiver of any other right or remedy or of any subsequent right or remedy of the same kind.

**(j) Headings; Gender and Number.** The headings contained in this Agreement are for reference purposes only and shall not affect in any manner the meaning or interpretation of this Agreement. Where appropriate to the context of this Agreement, use of the singular shall be deemed also to refer to the plural, and use of the plural to the singular, and pronouns of one gender shall be deemed to comprehend either or both of the other genders. The terms "hereof," "herein," "hereby" and variations thereof shall, whenever used in this Agreement, refer to this Agreement as a whole and not to any particular section of this Agreement. The term "**person**" refers to any natural person, corporation, partnership, limited liability company or other association or entity, as applicable.

**(k) Representation of the Employee; Interpretation of This Agreement.** The Employee acknowledges and agrees that he has had an adequate opportunity to review this Agreement with his attorney prior to executing this Agreement, and that he is freely entering into this Agreement without coercion from any source. The Employer and the

Employee have negotiated the terms of this Agreement, and the language used herein was chosen by the parties to express their mutual intent. This Agreement shall be construed without regard to any presumption or rule requiring construction against the party causing the instrument to be drafted.

**(l) Counterparts.** This Agreement may be executed in counterparts and by facsimile or electronic transmission in PDF format, each of which will be deemed an original but both of which together will constitute a single instrument.

**(m) Governing Laws.** This Agreement shall be governed by, and construed and enforced in accordance with, the internal laws of the State of California.

## 9. **ARBITRATION**

**(a) Submission to Arbitration.** Any dispute, controversy or claim arising out of or related to this Agreement, any breach of this Agreement or the Employee's employment with the Employer shall be submitted to and decided exclusively by binding arbitration in Los Angeles, California. Claims covered by this provision include, but are not limited to, the following: (1) alleged violations of federal, state and/or local constitutions, statutes, regulations or ordinances, including, but not limited to, laws dealing with unlawful discrimination and harassment; (2) claims for misappropriation of trade secrets, breach of fiduciary duty, or other duties owed by the Employee to the Employer; (3) claims based on any purported breach of contractual obligation, including but not limited to breach of the covenant of good faith and fair dealing, wrongful termination or constructive discharge; (4) violations of public policy; (5) claims relating to a transfer, reassignment, denial of promotion, demotion, reduction in pay, or any other term or condition of employment; (6) claims based on contract or tort; and (7) any and all other claims arising out of the Employee's employment with or termination by the Employer. This includes, but is not limited to, claims brought under Title VII of the Civil Rights Act of 1964; California Government Code Section 12960 *et seq.*; and any other federal, state or local anti-discrimination laws relating to discrimination, including, but not limited to, those based on the following protected categories: genetic information or characteristics; sex and gender; race; religion; national origin; mental or physical disability (including claims under the Americans With Disabilities Act); medical condition; veteran or military status; marital status; sexual orientation or preference; age; pregnancy; and retaliation or wrongful termination in violation of public policy for alleging or filing or participating in any grievance or otherwise complaining of any wrong relating to the aforementioned categories or any public policy.

**(b) Exclusion of Claims.** The following claims are expressly excluded and not covered by this Agreement for final and binding arbitration: (1) claims related to Workers' Compensation and Unemployment Insurance; (2) administrative filings with governmental agencies such as the California Department of Fair Employment & Housing, the Equal Employment Opportunity Commission, the U.S. Department of Labor or the National Labor Relations Board; (3) claims that are expressly excluded by statute or are expressly required to be arbitrated under a different procedure pursuant to the terms of an employee benefit plan;

and (4) claims within the jurisdictional limits of small claims court. Nor does this Agreement preclude either party from seeking appropriate interim injunctive relief pursuant to the California Code of Civil Procedure or applicable federal law before arbitration or while arbitration proceedings are pending.

(c) **Arbitration Provider and Rules.** Any claim arising between the Employee and the Employer covered by the arbitration provisions of this Agreement shall be submitted to final and binding arbitration in the rules and procedures of JAMS, or any successor entity thereto, in effect upon the date the claim is submitted in writing to the Employer or the Employee, to which rules and procedures the parties hereby expressly agree. Such rules may be found at <https://www.jamsadr.com/rules-employment-arbitration/> Such rules allow for discovery by each party as ordered by the arbitrator. The arbitrator must allow discovery adequate to arbitrate all claims, including access to essential documents and witnesses. In making his or her award, the arbitrator shall have the authority to make any finding and provide any remedy.

(d) **Written Award Required.** The arbitrator must issue a written award. The arbitrator shall, in the award or separately, make specific findings of fact, and set forth such facts in support of his or her decision, as well as the reasons and basis for his or her opinion. Should the arbitrator exceed the jurisdiction or authority here conferred, any party aggrieved thereby may file a petition to vacate, amend or correct the arbitrator's award in a court of competent jurisdiction, pursuant to applicable law.


(e) **Fees and Costs.** To the extent required by law, the Employer shall pay the arbitrator's fees and other administrative costs of arbitration, and other reasonable costs as specified by the arbitrator under applicable law so that Employee does not have to bear any cost which he would not have to bear in court beyond any amount which would have to be paid as a filing fee in a superior court. The arbitrator shall award attorneys' fees and costs to the prevailing party.

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

CALAVO GROWERS, INC.

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Steven W. Hollister, Chairman  
Compensation Committee  
Current Address:  
1141A Cummings Road Santa Paula, CA  
93060



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Lecil E. Cole

**Exhibit A**

Separation and Release Agreement

[attached]

**EMPLOYMENT AGREEMENT**

This Employment Agreement (this “**Agreement**”) is entered into as of October 11, 2021, by and between Calavo Growers, Inc., a California corporation (the “**Employer**”), and Graciela Montgomery (the “**Employee**”).

**RECITAL**

The Employer desires to employ the Employee as the Employer's Chief Human Resources Officer, and the Employee desires to accept such employment, upon the terms set forth in this Agreement.

NOW, THEREFORE, In consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the Employer and the Employee hereby agree as follows:

**1. EMPLOYMENT.**

(a) **Term of Employment.** Subject to Section 1(b) below, the Employer hereby employs the Employee, and the Employee hereby accepts employment with the Employer (“**Employment**”), in accordance with the terms and conditions of this Agreement. The term of the Employee's Employment under the terms of this Agreement (the “**Term of Employment**”) shall commence on October 11, 2021 (the “**Commencement Date**”) and shall continue until terminated by the Employer or Employee as provided herein. Employee shall not begin her employment with Employer until the Commencement Date.

(b) **At Will Employment.** Notwithstanding the foregoing, the Employer has the right to terminate the Employee's Employment at any time, with or without prior notice, and with or without cause and for any reason or for no specified reason, subject to the terms of Section 5 below of this Agreement. The Employee has the right to terminate her Employment at any time, with or without prior notice, subject to the terms of Section 5 below of this Agreement. The Employee is employed by the Employer “at will” and this Agreement does not provide the Employee with any right to continue in the Employment of the Employer for any minimum or specified period.

**2. POSITION, DUTIES, AUTHORITY AND EXCLUSIVITY OF SERVICES**

(a) **Position.** During the Term of Employment, the Employee shall serve as the Employer's Chief Human Resources Officer (or such other title as the parties may mutually agree upon from time to time).

(b) **Reporting.** The Employee shall report on a regular basis directly to, and shall be subject to the supervision and direction of, the Employer's Chief Executive Officer, Chairman of the Board of Directors, and the Board of Directors in general.

(c) **Duties, Responsibilities and Authority.** The Employee's duties, responsibilities and authority shall consist of the duties of Chief Human Resources Officer, as determined by the Chief Executive Officer or the Board of Directors of the Employer. The

Employee shall be responsible for diligently and competently performing all services and acts that are necessary or advisable to fulfill those duties and responsibilities and shall render such services on the terms set forth in this Agreement. The Employee shall at all times be subject to, observe and carry out such reasonable employment-related rules, regulations and policies as the Employer's Board of Directors or Chief Executive Officer may from time to time establish for the Employer's employees, including, without limitation, the Employer's Employee Handbook, Insider Trading Policy and Code of Business Conduct and Ethics.

(d) **Principal Business Office.** Without restricting any requirement that the Employee engage in reasonable business-related travel, the principal location in which the Employee shall be required to perform her duties and responsibilities shall be the Employer's Corporate Headquarters, which are presently located at 1141A Cummings Road, Santa Paula, California 93060.

(e) **Exclusivity of Services.** Except for sick leave and other forms of leave that are permitted under the Employer's rules, regulations and policies and except for the paid vacation time or paid time off to which Employee may be entitled. the Employee shall, throughout the Term of Employment, devote her full business lime and attention during the Employer's normal business hours to serving in the position described in this Agreement and to the performance of her duties and responsibilities in good faith and to the best of her ability. The Employee may spend reasonable time managing her personal and family business and affairs and engaging in civic, educational, social, and charitable activities, so long as the same do not conflict or interfere with performance of her duties hereunder. The Employee may continue to serve on the boards of directors on which she serves as of the Effective Date. The Employee may serve on the board of directors of other for-profit entities with the prior written consent of the Employer's Board of Directors, which will not be unreasonably withheld. Notwithstanding the foregoing, the Employee shall not serve on the board of directors of any entity that competes with the Employer and the Employee shall not serve on the board of directors of more than two for-profit entities.

### 3. **COMPENSATION.**

(a) **Base Salary.** For services rendered during the Term of Employment, the Employer shall pay the Employee an annual salary base salary of \$350,000, payable in regular installments in accordance with the Employer's customary payroll practices for employees. If the Employee is entitled to receive Base Salary for any period that is less than one calendar month, the Base Salary for such period shall be computed by prorating the annual Base Salary over such period based upon the actual number of days therein. The Employer's Compensation Committee, in its sole authority, shall determine on an annual basis whether an increase in the Employee's Base Salary is justified.

(b) **Annual Bonus.**

(i) With respect to each of the Employer's fiscal years during the Term of Employment beginning with the 2022 fiscal year, the Employee shall be eligible to receive an annual performance bonus (the "**Annual Bonus**") to be determined annually by the Employer's Compensation Committee in connection with its determination of performance-based



bonuses and performance targets, thresholds and requirements for other executive officers pursuant to a compensation plan or plans approved from time to time by the Compensation Committee. Notwithstanding the foregoing, the Employee will receive an Annual Bonus in the amount of 40% of her base salary for any fiscal year in which the Employer achieves its annual performance target commencing with the 2022 fiscal year provided that the Employee is employed with the Employer for the entire fiscal year. With respect to each of the Employer's fiscal years during the Term of Employment beginning with the 2022 fiscal year ( ending October 2022), the Compensation Committee may elect to award the Employee a discretionary bonus.

(ii) Beginning with the 2022 fiscal year, the Employee will also participate in the Employer's Long Term Incentive Plan ("**LTIP**") to the extent such plan may exist, or any successor incentive plan that the Employer may develop (collectively, the "**Incentive Plan**"). Employee shall be eligible to receive a total of 40% of her base salary per year in equity awards pursuant to the terms of the Incentive Plan, including any vesting, incentive, and other requirements that may be incorporated into the Incentive Plan. Each such award shall vest over a three-year period in three equal annual installments, subject to the requirement that the Employee must be employed with the Employer on each date that shares are scheduled to vest and the Employee shall forfeit any such shares that have not vested as of the date her Employment ends.

(iii) The Employee acknowledges that the Compensation Committee may award Annual Bonuses and discretionary bonuses to her in cash, Employer common stock, or rights to acquire Employer common stock, and that such equity-based awards may be subject to vesting conditions and requirements. Equity-based awards made by the Employer to the Employee under this Agreement or otherwise shall be subject to the terms and conditions of the Employer's 2020 Equity Incentive Plan, as it may be amended from time to time and including any successor plan adopted by the Employer.

(c) **Change in Control.** In the event that a Change in Control, as defined in Section 9(c) of the 2020 Equity Incentive Plan, occurs during the Term of Employment or during any other period contemplated by this Agreement, then the effect upon any compensation paid to the Employee under the 2020 Equity Incentive Plan shall be governed in accordance with section 9(c) of the 2020 Equity Incentive Plan.

(d) **Withholding.** All Base Salary, Annual Bonuses and other payments to be made to the Employee under this Agreement are subject to the Employer's right to make customary and applicable deductions and withholdings, including, without limitation, for federal and state taxes, FICA, Medicaid and other customary payroll activities.

(e) **Clawback Provisions.** Notwithstanding any other provisions in this Agreement to the contrary, any incentive-based compensation, or any other compensation, paid to the Employee pursuant to this Agreement or any other agreement or arrangement with the Employer which is subject to recovery under any law, government regulation or stock exchange listing requirement, or which is subject to recovery under any clawback policy adopted by the Employer that is applicable to its executive officers, will be subject to such deductions and clawback as may be required to be made pursuant to such law, government regulation or stock

exchange listing requirement or pursuant to such Employer clawback policy. The Employer will make any determination for clawback or recovery in accordance with its determination of any applicable law or regulation and based upon its review of any clawback policy adopted by the Employer.

(f) **Equity Interests in the Employer.** The Employee acknowledges and agrees that, except as set forth in this Agreement, the Employer has not made any representations or promises to her regarding her receipt of (1) stock options or other rights to acquire shares of the Employer's common stock under an employee stock plan or otherwise or (2) equity interests in the Employer, and that nothing in this Agreement entitles her to any such stock options, shares or other equity interests except as provided herein.

4. **EMPLOYEE BENEFITS, EXPENSE REIMBURSEMENT AND INDEMNIFICATION: 409(A) COMPLIANCE.**

(a) **Employee Benefits.** During the Term of Employment, the Employee shall be entitled to receive all benefits under any and all deferred compensation plans, retirement plans, life, disability, health, accident and other insurance programs, automobile allowances, and similar employee benefit plans and programs, sick leave, vacation time and paid time off (if any) that the Employer elects in its sole discretion to provide from time to time to its other executive officers (collectively referred to herein as the "**Benefits**"). However, the Employer reserves the right to terminate, reduce or otherwise amend any or all of the Benefits from time to time to the extent allowed by law, so long as such action applies generally to all of its executive officers. Except as otherwise required by applicable law or as provided herein and except as provided under the terms of the Employer's life, disability, health, accident and other insurance programs and similar employee benefit plans and programs, the Employee's right to receive Benefits shall terminate upon the termination of her Employment for any reason. The Employee shall be entitled to not less than four weeks vacation per year.

(b) **Business Expense Reimbursement.** Provided that the Employee provides appropriate documentation of her expenses, the Employee shall be entitled to receive full reimbursement for all reasonable out-of-pocket business expenses that are incurred by her during the Term of Employment in accordance with the policies, and procedures established from time to time by the Employer. The Employee's rights under this paragraph shall terminate as of the date that her Employment terminates for any reason, provided that the Employer shall remain obligated to reimburse the Employee for any such expenses that were properly incurred by her during the Term of Employment.

(c) **Indemnification.** In the event that the Employee is made a party or threatened to be made a party to any action, suit, or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that the Employee is or was a director or officer of the Employer, or any affiliate of the Employer, or is or was serving at the request of the Employer as a director, officer, member, employee or agent of another corporation or a partnership, joint venture, trust or other enterprise, the Employee shall be indemnified and held harmless by the Employer to the maximum extent permitted under applicable law and the Company's bylaws from and against any liabilities, costs, claims and expenses, including all costs and expenses incurred in defense of any Proceeding (including

attorneys' fees). The Employer's obligations under this paragraph shall survive the termination of the Employee's Employment. Notwithstanding the foregoing, this paragraph shall not apply to any Proceeding, contest or dispute between the Employer or any of its affiliates and the Employee. In the event of a Proceeding, contest or dispute between Calavo or any of its affiliates and the Employee, Calavo will not cancel, discontinue, fail to renew or maintain, or alter any insurance policy in effect that would otherwise provide coverage to the Employee for such a Proceeding, contest or dispute, provided that Calavo cannot control whether the insurer would take any of these actions.

(d) It is the Employer's intention that the benefits and rights to which the Employee could become entitled to under this Agreement comply with, or alternatively fall within one of the exceptions to, Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder (“**Section 409A**”). If the Employee or the Employer believes, at any time, that any of such benefit or right does not comply, it shall promptly advise the other and shall negotiate reasonably and in good faith to amend the terms of such benefits and rights such that they comply (with the most limited possible economic effect on the Employee and on the Employer) with Section 409A.

## 5. **POST-EMPLOYMENT COMPENSATION.**

(a) **General.** Except as specifically provided in this Agreement, the Employer shall have no obligation to make any compensation, severance or other payments to the Employee, or to provide any other benefits to the Employee, after the date of the termination of the Employee's Employment for any reason.

(b) **Base Salary.** Upon the termination of the Employee's Employment for any reason, the Employee shall not be entitled to receive any additional Base Salary payments from the Employer except:

(i) The Employee shall have the right to receive any earned but unpaid Base Salary and, to the extent required by law, accrued vacation pay or accrued paid time off. as of the date of the Employment termination; and

(ii) If the Employer terminates the Employee's Employment without Cause (as defined in this Agreement), or the Employee terminates her Employment for Good Reason (as defined in this Agreement), then, provided that the Employee executes a Separation and Release Agreement in the form attached to this Agreement as Exhibit A, the Employer shall: (1) pay the Employee an amount equal to one year of her annual Base Salary, payable at regular payroll intervals; (2) make COBRA payments on behalf of the Employee in an amount sufficient for the Employee to maintain her then-current group health benefits for one year; and (3) provide the Employee with a pro rata portion of her Annual Bonus pursuant to the Annual Bonus plan then in effect for the Employer's executive officers for the year in which her Employment terminates, payable at the time that the Employer's other executive officers receive their Annual Bonuses. The Employee will be treated as an in-service employee for purposes of benefits continuation during any benefits continuation period. The payments and benefits described in this paragraph shall be subject to the Employer's right to make customary and applicable deductions and withholdings, including, without limitation, for federal and state taxes, FICA,

Medicaid and other customary payroll activities. Such COBRA payments described above in clause (2) will include medical, dental, and vision insurance coverage, and all other Calavo provided benefits. Under such circumstances, Calavo will also provide the Employee the option, for a period of thirty-six (36) months thereafter, at the Employee's own expense to continue her medical, dental, and vision benefits at the equivalent of her COBRA continuation cost, if and to the extent the continuation of such benefits is permitted under COBRA and other applicable law and the terms of the insurance policies. The Employee shall not be entitled to receive the payments and benefits described in this paragraph if the Employer terminates the Employee's Employment for Cause or if she terminates her Employment other than for Good Reason.

**(iii)** For purposes of this Agreement, "**Cause**" means: (1) willful misconduct by the Employee with respect to the Employer that has a material adverse effect on the Employer and continues for a period of at least ten (10) days after written notice of such misconduct is given by Employer to the Employee; (2) the Employee's willful refusal to attempt to follow any proper written direction of the Chairman of the Board of Directors, the Board of Directors, or the Company's Chief Executive Officer unless the Employee has a good faith reason to believe that such direction is illegal or is a violation of the Employer's rules, regulations and policies, which refusal shall continue for a period of at least ten days after written notice of such refusal is given by the Employer to the Employee; (3) the substantial and continuing refusal by the Employee to attempt to perform her duties required under this Agreement after written notice of demand for performance of such duties is delivered to the Employee by the Employer (which notice must specifically identify the manner in which the Employer believes the Employee has substantially and continually refused to attempt to perform her duties under this Agreement) and after such refusal to attempt to perform her duties has continued for at least ten days after her receipt of such notice; (4) the Employee's conviction of, or entry of a plea of guilty or nolo contendere to, a felony (other than a felony involving a traffic violation); (5) the Employee's theft, embezzlement or other criminal misappropriation of funds from the Employer; or (6) the Employee's willful breach of any other material provision of this Agreement or of the Employer's Employee Handbook, Insider Trading Policy or Code of Business Conduct and Ethics and such willful breach continues for at least ten (10) days after written notice from Employer to the Employee specifying the breach if such breach is curable.

**(iv)** For purposes of this Agreement, "**Good Reason**" means the occurrence, without the Employee's written consent, of any of the following: (1) any requirement (whether as a result of change in duties or otherwise) that Employee perform the majority of her hours of employment more than 35 miles from the Employer's Corporate Headquarters, if the Employer fails to remedy such change within thirty days after written notice is given by the Employee to the Employer; (2) any reduction in base salary below \$350,000 per year; (3) any material reduction the Employee's title, duties, responsibilities or authority, including, without limitation, any adverse change in reporting relationship or assignment to Employee of duties inconsistent with position of Chief Human Resources Officer, which is not cured within thirty (30) days after written notice from the Employee to Employer; (4) any breach by the Employer of any material provision of this Agreement (whether or not described above), which breach is not cured by the Employer within thirty days after written notice of such breach is given by the Employee to the Employer; or (5) the failure of any successor to the Employer (whether direct or indirect, or whether by merger, acquisition of assets, consolidation or otherwise) to assume in a writing delivered to the Employee the obligations of the Employer under this Agreement, if such

assumption agreement is not delivered to the Employee within ten days after she provides the successor to the Employer with written notice of her desire to receive such agreement. Notwithstanding the foregoing, the Employee shall be deemed to have terminated her Employment for Good Reason for purposes of this Agreement only if she terminates her Employment within sixty days after the occurrence of the event described in this paragraph (including expiration of the applicable notice and cure period) that permits her to terminate her Employment for Good Reason.

**6. CONFIDENTIALITY/UNFAIR COMPETITION.**

(a) **Confidentiality.** The Employee shall at no time, either during her Employment or after the termination of her Employment for any reason, use or disclose to any person, directly or indirectly, any confidential or proprietary information concerning the business of the Employer, including, without limitation, any business secret, trade secret, financial information, software, internal procedure, business plan, marketing plan, pricing strategy or policy or customer list, except to the extent that such use or disclosure is (1) in connection with the good faith performance of the Employee's duties during the period that she is so employed, (2) required by an order of a court of competent jurisdiction, or (3) authorized in writing by the Employer's Chairman of the Board of Directors or the Board of Directors. The prohibition that is contained in the preceding sentence shall not apply to any information that is or becomes generally available to the public other than through an improper disclosure by the Employee or by a person acting in concert with her to effect such improper disclosure. Within five days after the termination of her Employment, the Employee shall return to the Employer all memoranda, notes and other documents in her possession or control that relate to the confidential information of the Employer. Upon the Employer's request, the Employee agrees to execute and deliver to the Employer any reasonable form of confidentiality agreement that the Employer requires generally from its employees.

(b) **Competition During the Term of Employment.** During her Employment, the Employee shall not, directly or indirectly (as owner, principal, agent, partner, officer, employee, independent contractor, consultant, shareholder or otherwise), (1) hire (or solicit for the purpose of hiring) or cause any other person to hire (or solicit for the purpose of hiring) any employee or officer of the Employer or (2) compete in any manner with the business then being conducted by the Employer. The prohibition that is set forth in the preceding sentence shall not be construed as prohibiting the Employee from acquiring and owning up to one percent of the outstanding common stock of any corporation whose common stock is traded on a national securities exchange.

(c) **Remedies.** If the Employee breaches any of the provisions of this Section or if the Employee breaches any of the terms of any other confidentiality or unfair competition agreement that she may enter into with the Employer, the Employer may, among its other remedies and notwithstanding any provision to the contrary in this Agreement; terminate all payments that are otherwise owed to the Employee under this Agreement, and the Employer shall be relieved of any obligation to make such payments to the Employee. Furthermore, the Employee acknowledges that damages and such termination of payments would be an inadequate remedy for her breach of any of the provisions of this Section, and that her breach of any of such provisions will result in immeasurable and irreparable harm to the Employer. Therefore, in

addition to any other remedy to which the Employer may be entitled by reason of the Employee's breach of any such provision, the Employer shall be entitled to seek and obtain temporary, preliminary and permanent injunctive relief restraining the Employee From committing or continuing any breach of any provision of this Section.

## 7. INVENTIONS/WORK PRODUCT

(a) **Work Product**. The Employee acknowledges and agrees that all writings, works of authorship, technology, inventions, discoveries, ideas and other work product of any nature whatsoever that are created, prepared, produced, authored, edited, amended, conceived or reduced to practice by the Employee individually or jointly with others during the period of her Employment by the Employer and relating in any way to the business or contemplated business, research or development of the Employer (regardless of when or where the Work Product is prepared or whose equipment or other resources is used in preparing the same) and all printed, physical and electronic copies, all improvements, rights and claims related to the foregoing, and other tangible embodiments thereof (collectively, "**Work Product**"), as well as any and all rights in and to copyrights, trade secrets, trademarks (and related goodwill), patents and other intellectual property rights therein arising in any jurisdiction throughout the world and all related rights of priority under international conventions with respect thereto, including all pending and future applications and registrations therefor, and continuations, divisions, continuations-in-part, reissues, extensions and renewals thereof (collectively, "**Intellectual Property Rights**"), shall be the sole and exclusive property of the Employer.

(b) **Work Made for Hire; Assignment**. The Employee acknowledges that, by reason of being employed by the Employer at the relevant times, to the extent permitted by law, all of the Work Product consisting of copyrightable subject matter is "work made for hire" as defined in 17 U.S.C. § 101 and such copyrights are therefore owned by the Employer. To the extent that the foregoing does not apply, the Employee hereby irrevocably assigns to the Employer, for no additional consideration, the Employee's entire right, title and interest in and to all Work Product and Intellectual Property Rights therein, including the right to sue, counterclaim and recover for all past, present and future infringement, misappropriation or dilution thereof, and all rights corresponding thereto throughout the world. Nothing contained in this Agreement shall be construed to reduce or limit the Employer's rights, title or interest in any Work Product or Intellectual Property Rights so as to be less in any respect than that the Employer would have had in the absence of this Agreement.

(c) **Further Assurances; Power of Attorney**. During and after her Employment, the Employee agrees to reasonably cooperate with the Employer to (1) apply for, obtain, perfect and transfer to the Employer the Work Product as well as an Intellectual Property Right in the Work Product in any jurisdiction in the world, and (2) maintain, protect and enforce the same, including, without limitation, executing and delivering to the Employer any and all applications, oaths, declarations, affidavits, waivers, assignments and other documents and instruments as shall be requested by the Employer. The Employee hereby irrevocably grants the Employer a power of attorney to execute and deliver any such documents on the Employee's behalf in her name and to do all other lawfully permitted acts to transfer the Work Product to the Employer and further the transfer, issuance, prosecution and maintenance of all Intellectual Property Rights therein, to the full extent permitted by law, if the Employee does not promptly

cooperate with the Employer's request (without limiting the rights the Employer shall have in such circumstances by operation of law). The power of attorney is coupled with an interest and shall not be affected by the Employee's subsequent incapacity.

## **8. GENERAL PROVISIONS.**

(a) **Entire Agreement.** This Agreement (and any separate confidentiality agreements that may be entered into between the Employer and the Employee) constitutes the entire agreement of the Employer and the Employee relating to the terms and conditions of the Employee's Employment and supersedes all prior oral and written understandings and agreements relating to such subject matter.

(b) **Notices.** All notices required or permitted by this Agreement to be given by one party to the other party shall be delivered in writing, by email and by registered or certified United States mail (postage prepaid and return receipt requested) or by email and by reputable overnight delivery service, to the Employer or the Employee, as applicable, at the address that appears on the signature page of this Agreement (or to such other address that one party gives the other in the foregoing manner or, in the case of the Employee, to her principal residential address on file with the Employer). Any such notice that is sent in the foregoing manner shall be deemed to have been delivered three days after deposit in the United States mail or one day after delivery to an overnight delivery service.

(c) **Expenses.** Each party to this Agreement shall bear its own costs and expenses (including, without limitation, attorneys' fees) incurred in connection with this Agreement.

(d) **Amendment and Termination.** This Agreement may be amended or terminated only pursuant to a writing executed by the Employer and the Employee.

(e) **Successors and Assigns.** This Agreement shall be binding upon, and shall benefit, the Employer and the Employee and their respective successors and assigns (including, without limitation, the Employee's personal representative and beneficiaries and any corporation or other entity into which the Employer is merged); provided, however, that the Employee is not entitled to assign her obligations hereunder to another person. A successor of the Employer shall include, without limitation, any corporation or other entity that acquires, directly or indirectly, all or substantially all of the Employer's assets, whether by merger, acquisition, lease or another form of transaction. Any such successor to the Employer referred to in this paragraph shall thereafter be deemed the "Employer" for purposes of this Agreement.

(f) **Calculation of Time.** Wherever in this Agreement a period of time is stated in a number of days, it shall be deemed to mean calendar days. However, when any period of time so stated would end upon a Saturday, Sunday or legal holiday, such period shall be deemed to end upon the next day following that is not a Saturday, Sunday or legal holiday.

(g) **Further Assurances.** Each of the Employer and the Employee shall perform any further acts and execute and deliver any further documents that may be reasonably necessary to carry out the provisions of this Agreement.

(h) **Provisions Subject to Applicable Law.** All provisions of this Agreement shall be applicable only to the extent that they do not violate any applicable law and are intended to be limited to the extent necessary so that they will not render this Agreement invalid, illegal or unenforceable under any applicable law. If any provision of this Agreement or any application thereof shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of other provisions of this Agreement or of any other application of such provision shall in no way be affected thereby.

(i) **Waiver of Rights.** Neither party shall be deemed to have waived any right or remedy that it has under this Agreement unless this Agreement expressly provides a period of time within which such right or remedy must be exercised and such period has expired or unless such party has expressly waived the same in writing. The waiver by either party of a right or remedy hereunder shall not be deemed to be a waiver of any other right or remedy or of any subsequent right or remedy of the same kind.

(j) **Headings; Gender and Number.** The headings contained in this Agreement are for reference purposes only and shall not affect in any manner the meaning or interpretation of this Agreement. Where appropriate to the context of this Agreement, use of the singular shall be deemed also to refer to the plural, and use of the plural to the singular, and pronouns of one gender shall be deemed to comprehend either or both of the other genders. The terms "hereof," "herein," "hereby" and variations thereof shall, whenever used in this Agreement, refer to this Agreement as a whole and not to any particular section of this Agreement. The term "**person**" refers to any natural person, corporation, partnership, limited liability company or other association or entity, as applicable.

(k) **Representation of the Employee; Interpretation of This Agreement.** The Employee acknowledges and agrees that she has had an adequate opportunity to review this Agreement with her attorney prior to executing this Agreement, and that she is freely entering into this Agreement without coercion from any source. The Employer and the Employee have negotiated the terms of this Agreement, and the language used herein was chosen by the parties to express their mutual intent. This Agreement shall be construed without regard to any presumption or rule requiring construction against the party causing the instrument to be drafted.

(l) **Counterparts.** This Agreement may be executed in counterparts and by facsimile or electronic transmission in PDF format, each of which will be deemed an original but both of which together will constitute a single instrument.

(m) **Governing Laws.** This Agreement shall be governed by, and construed and enforced in accordance with, the internal laws of the State of California.

## 9. **ARBITRATION.**

(a) **Submission to Arbitration.** Any dispute, controversy or claim arising out of or related to this Agreement, any breach of this Agreement or the Employee's employment with the Employer shall be submitted to and decided exclusively by binding arbitration in Los Angeles, California. Claims covered by this provision include, but are not limited to, the following: (1) alleged violations of federal, state and/or local constitutions, statutes, regulations



or ordinances, including, but not limited to, laws dealing with unlawful discrimination and harassment; (2) claims for misappropriation of trade secrets, breach of fiduciary duty, or other duties owed by the Employee to the Employer; (3) claims based on any purported breach of contractual obligation, including but not limited to breach of the covenant of good faith and fair dealing, wrongful termination or constructive discharge; (4) violations of public policy; (5) claims relating to a transfer, reassignment, denial of promotion, demotion, reduction in pay, or any other term or condition of employment; (6) claims based on contract or tort; and (7) any and all other claims arising out of the Employee's employment with or termination by the Employer. This includes, but is not limited to, claims brought under Title VII of the Civil Rights Act of 1964; California Government Code Section 12960 *et seq.*; and any other federal, state or local anti-discrimination laws relating to discrimination, including, but not limited to, those based on the following protected categories: genetic information or characteristics; sex and gender; race; religion; national origin; mental or physical disability (including claims under the Americans With Disabilities Act); medical condition; veteran or military status; marital status; sexual orientation or preference; age; pregnancy; and retaliation or wrongful termination in violation of public policy for alleging or filing or participating in any grievance or otherwise complaining of any wrong relating to the aforementioned categories or any public policy.

**(b) Exclusion of Claims.** The following claims are expressly excluded and not covered by this Agreement for final and binding arbitration: (1) claims related to Workers' Compensation and Unemployment Insurance; (2) administrative filings with governmental agencies such as the California Department of Fair Employment & Housing, the Equal Employment Opportunity Commission, the U.S. Department of Labor or the National Labor Relations Board; (3) claims that are expressly excluded by statute or are expressly required to be arbitrated under a different procedure pursuant to the terms of an employee benefit plan; and (4) claims within the jurisdictional limits of small claims court. Nor does this Agreement preclude either party from seeking appropriate interim injunctive relief pursuant to the California Code of Civil Procedure or applicable federal law before arbitration or while arbitration proceedings are pending.

**(c) Arbitration Provider and Rules.** Any claim arising between the Employee and the Employer covered by the arbitration provisions of this Agreement shall be submitted to final and binding arbitration in the rules and procedures of JAMS, or any successor entity thereto, in effect upon the date the claim is submitted in writing to the Employer or the Employee, to which rules and procedures the parties hereby expressly agree. Such rules may be found at \_\_\_\_\_. Such rules allow for discovery by each party as ordered by the arbitrator. The arbitrator must allow discovery adequate to arbitrate all claims, including access to essential documents and witnesses. In making his or her award, the arbitrator shall have the authority to make any finding and provide any remedy.

**(d) Written Award Required.** The arbitrator must issue a written award. The arbitrator shall, in the award or separately, make specific findings of fact, and set forth such facts in support of his or her decision, as well as the reasons and basis for his or her opinion. Should the arbitrator exceed the jurisdiction or authority here conferred, any party aggrieved thereby may file a petition to vacate, amend or correct the arbitrator's award in a court of competent jurisdiction, pursuant to applicable law.

(e) **Fees and Costs.** To the extent required by law, the Employer shall pay the arbitrator's fees and other administrative costs of arbitration, and other reasonable costs as specified by the arbitrator under applicable law so that Employee does not have to bear any cost which she would not have to bear in court beyond any amount which would have to be paid as a filing fee in a superior court. The arbitrator shall award attorneys' fees and costs to the prevailing party to the extent allowed by law.

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

CALAVO GROWERS, INC.

*/s/ Mike DiGregorio*

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Mike DiGregorio,  
Audit Committee Chairman,  
Compensation Committee Member  
Current Address:  
1141A Cummings Road Santa Paula, CA  
93060

*/s/ Graciela Montgomery*

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Graciela Montgomery

**RESTRICTED STOCK UNIT AWARD GRANT NOTICE****CALAVO GROWERS, INC.  
2020 EQUITY INCENTIVE PLAN**

Calavo Growers, Inc. (the “**Company**”), pursuant to its 2020 Equity Incentive Plan (the “**Plan**”), hereby grants to the Participant named below a Restricted Stock Unit Award (the “**Award**”) for the number of restricted stock units (“**Restricted Stock Units**”) set forth below. The Award is subject to all of the terms and conditions as set forth in this Restricted Stock Unit Award Grant Notice (this “**Grant Notice**”) and in the attached Restricted Stock Unit Award Agreement (the “**RSU Award Agreement**”) and the Plan, both of which are incorporated herein by reference. Capitalized terms used but not defined in this Grant Notice shall have the meanings set forth in the RSU Award Agreement or the Plan, as applicable.

**Participant:**

**Date of Grant:**

**Vesting Commencement**

**Date:**

**Number of Restricted Stock [•]**

**Units:**

**Vesting Schedule:** 100% of the Restricted Stock Units are subject to vesting as of the Vesting Commencement Date above. On the date one year from the Vesting Commencement Date, 1/3 of the Restricted Stock Units shall vest and become nonforfeitable; on the date two years from the Vesting Commencement Date, an additional 1/3 of the Restricted Stock Units shall vest and become nonforfeitable; and on the date three years from the Vesting Commencement Date, the remaining 1/3 of the Restricted Stock Units shall vest and become nonforfeitable; provided in each case that the Participant’s Continuous Service has not terminated prior to any such date.

Subject to Section 2 of the RSU Award Agreement, if the Participant’s Continuous Service terminates for any reason prior to any of the dates described in the preceding paragraph, vesting shall cease on such termination date and the Restricted Stock Units that were not vested on the date of such termination shall be cancelled and the Participant shall have no further right, title or interest in or to such Restricted Stock Units or the shares of Common Stock to be issued in respect of the Restricted Stock Units.

**Issuance Schedule:** Subject to any Capitalization Adjustment, one share of Common Stock shall be issued for each Restricted Stock Unit that vests in accordance with the vesting schedule above.

**Additional Terms/Acknowledgements:** The Participant acknowledges receipt of, and understands and agrees to, this Grant Notice, the RSU Award Agreement and the Plan. The Participant further acknowledges that, as of the Date of Grant, this Grant Notice, the RSU Award Agreement, the Plan and the Participant’s written employment agreement (if any) with the

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Company set forth the entire understanding between the Participant and the Company regarding the Restricted Stock Units and supersede all prior oral and written agreements regarding the Restricted Stock Units. The Participant agrees to be bound by, and to comply with, all provisions of this Grant Notice, the RSU Award Agreement and the Plan, and the Participant agrees to accept as final, binding and conclusive all determinations, interpretations and constructions made by the Plan's Administrator regarding this Grant Notice, the RSU Award Agreement and the Plan.

**Other Terms, If Applicable:** \_\_\_\_\_

**CALAVO GROWERS, INC.**

**PARTICIPANT:**

By: \_\_\_\_\_

Name:

Title:

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature

Attachments: Restricted Stock Unit Award Agreement

**ATTACHMENT**  
**RESTRICTED STOCK UNIT AWARD AGREEMENT**  
**CALAVO GROWERS, INC.**  
**2020 EQUITY INCENTIVE PLAN**

Pursuant to the attached Restricted Stock Unit Award Grant Notice (the “**Grant Notice**”) and this Restricted Stock Unit Award Agreement (this “**Agreement**”), Calavo Growers, Inc. (the “**Company**”) has granted you a Restricted Stock Unit Award (the “**Award**”) under its 2020 Equity Incentive Plan (the “**Plan**”) for the number of restricted stock units (“**Restricted Stock Units**”) indicated in the Grant Notice.

The Restricted Stock Units are subject to the terms set forth in the Grant Notice, this Agreement and the Plan, which is incorporated herein by reference.

Capitalized terms not expressly defined in this Agreement or the Grant Notice but defined in the Plan shall have the same definitions as are set forth in the Plan.

The terms of your Award, in addition to those set forth in the Grant Notice, are as follows.

**1. GRANT OF THE AWARD.** Your Award represents the right to be issued on a future date one share of Common Stock (subject to any adjustment under Section 3 below) for each Restricted Stock Unit that vests in accordance with the Grant Notice and this Agreement. As of the Date of Grant, the Company shall credit to a bookkeeping account maintained by the Company for your benefit (the “**Account**”) the number of Restricted Stock Units subject to your Award. Your Award was granted in consideration of services provided by you to the Company and for other good and valuable consideration, and vesting of the Restricted Stock Units is subject to your provision of Continuous Service after the Date of Grant on the terms and conditions set forth in the Grant Notice and this Agreement.

**2. VESTING; CHANGE IN CONTROL.** Subject to the limitations contained in this Agreement and unless otherwise provided in a written employment agreement between you and the Company, your Award shall vest, if at all, in accordance with the vesting schedule set forth in the Grant Notice. Unless otherwise provided in a written employment agreement between you and the Company, vesting shall cease upon the termination of your Continuous Service and the Restricted Stock Units credited to the Account that were not vested on the date of such termination shall be cancelled and you shall have no further right, title or interest in or to such Restricted Stock Units or the shares of Common Stock to be issued in respect of the Restricted Stock Units. Your Restricted Stock Units may fully vest upon the occurrence of a Change in Control in accordance with the provisions of Section 9(c) of the Plan.

**3. CAPITALIZATION ADJUSTMENTS.** The number of Restricted Stock Units issuable is subject to the adjustment from time to time for Capitalization Adjustments as provided in the Plan. Any additional Restricted Stock Units or shares of Common Stock that become subject to your Award pursuant to this Section 3 shall be subject, in a manner determined by the Company, to the same vesting restrictions, restrictions on transfer, and time and manner of delivery as applicable to the other Restricted Stock Units and shares of Common Stock covered by your Award. Notwithstanding the provisions of this Section 3, no fractional share or right for a

fractional share of Common Stock shall be created pursuant to this Section 3. Any fraction of a share shall be rounded down to the nearest whole share.

**4. SECURITIES LAW COMPLIANCE.** You shall not be issued any shares of Common Stock under your Award unless the issuance of the shares of Common Stock issuable in respect of your Award is (a) then registered under the Securities Act or (b) the Company has determined that such issuance would be exempt from the registration requirements of the Securities Act. Your Award must also comply with other applicable laws and regulations governing your Award, and you shall not receive such shares of Common Stock if the Company determines that such receipt would not be in material compliance with such laws and regulations.

**5. TRANSFER RESTRICTIONS.** Prior to the date that shares of Common Stock have been delivered to you, you may not transfer, pledge, sell or otherwise dispose of your Award or the shares of Common Stock issuable in respect of your Award, except as expressly provided in this Section 5. For example, you may not pledge shares of Common Stock that may be issued in respect of your Restricted Stock Units as security for a loan. The restrictions on transfer set forth herein shall lapse upon delivery to you of shares of Common Stock in respect of your vested Restricted Stock Units.

**(a) Death.** Your Award and the shares of Common Stock issuable in respect of your Award are transferable by the laws of descent and distribution. At your death, vesting of your Award shall cease and your executor or administrator of your estate shall be entitled to receive, on behalf of your estate, any shares of Common Stock or other consideration issuable in respect of your Award that vested but were not issued before your death.

**(b) Domestic Relations Orders.** Upon receiving written permission from the Company, and provided that you and the designated transferee enter into transfer and other agreements required by the Company, you may transfer your right to receive the distribution of shares of Common Stock or other consideration hereunder pursuant to a domestic relations order that contains the information required by the Company to effectuate the transfer. You are encouraged to discuss the proposed terms of any division of your Award with the Company prior to finalizing the domestic relations order to verify that you may make such transfer and, if so, to help ensure the required information is contained within the domestic relations order.

**6. DATE OF ISSUANCE OF COMMON STOCK.** Subject to the satisfaction of the tax withholding obligation set forth in Section 11 of this Agreement, in the event one or more Restricted Stock Units vests, the Company shall issue to you one share of Common Stock (subject to any adjustment under Section 3 above) for each Restricted Stock Unit that vests on the applicable vesting date. Each issuance date determined by this paragraph is referred to as an “**Original Issuance Date.**” If the Original Issuance Date falls on a date that is not a business day, delivery shall instead occur on the next following business day. The form of delivery (e.g., a stock certificate or electronic entry evidencing such shares) shall be determined by the Company.

**7. DIVIDENDS.** You shall receive no benefit or adjustment to your Award with respect to any cash dividend, stock dividend or other distribution that does not result from a Capitalization Adjustment; provided, however, that the preceding limitation does not apply to any shares of Common Stock after such shares have been issued and delivered to you in connection with your Award following the vesting of the Restricted Stock Units.

**8. RESTRICTIVE LEGENDS.** The shares of Common Stock issued in respect of your Award shall be endorsed with any appropriate securities law legends as determined by the Company.

**9. MINIMUM SHARE OWNERSHIP POLICY AND OTHER COMPANY POLICIES.** You agree to comply with any policy that the Company may adopt or amend from time to time regarding minimum Common Stock ownership requirements applicable to the Company's Officers and/or Directors. You also agree to comply with all other applicable Company policies that the Company may adopt or amend from time to time, including, without limitation, the Company's Insider Trading Policy and any Company clawback, recovery or recoupment policy described in Section 8(i) of the Plan pertaining to compensation received by the Company's Employees.

**10. AWARD NOT A SERVICE CONTRACT.** Your Award is not an employment or service contract, and nothing in your Award shall obligate the Company or an Affiliate, their respective shareholders, Directors, Officers or Employees to continue any relationship that you might have as an Employee, Consultant or Director of the Company or an Affiliate.

**11. WITHHOLDING OBLIGATION.**

(a) On each vesting date, and on or before the time you receive a distribution of the shares of Common Stock with respect to your Restricted Stock Units, and at any other time as requested by the Company in accordance with applicable tax laws, you hereby authorize any required withholding with respect to the shares of Common Stock issuable to you (including, without limitation, by the Company's deduction of such required withholding from compensation and other amounts payable to you by the Company), and you otherwise agree to make adequate provision, including in cash, for any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company or an Affiliate that arise in connection with your Award. The Company shall not be obligated to issue shares of Common Stock to you with respect to your Restricted Stock Units unless and until you have satisfied in full all federal, state, local and foreign tax withholding obligations.

(b) Upon your request and subject to approval by the Company, in its sole discretion, and in compliance with any applicable legal conditions or restrictions, (1) the Company may withhold from fully vested shares of Common Stock otherwise issuable to you with respect to your Restricted Stock Units a number of whole shares of Common Stock having a Fair Market Value, as determined by the Company, not in excess of the minimum amount of tax required to be withheld by law, or (2) the Company may permit you to enter into a "same day sale" commitment with a broker-dealer acceptable to the Company pursuant to which you irrevocably elect to sell a portion of such fully vested shares of Common Stock sufficient to pay all or a portion of such required withholding taxes and the broker-dealer irrevocably agrees to deliver to the Company the funds that will be applied to the payment of such withholding taxes. Any adverse consequences to you arising in connection with such share withholding or sale procedure shall be your sole responsibility.

(c) The Company's withholding obligations may be satisfied by any combination of the Company's withholding or your form of payment made pursuant to this Section 11.

(d) You are ultimately liable and responsible for all taxes owed in connection with the Restricted Stock Units and the shares of Common Stock that are issuable with respect to the Restricted Stock Units, regardless of any action the Company takes with respect to any tax withholding obligations that arise in connection with such Restricted Stock Units and shares. The Company does not make any representation or undertaking regarding the treatment of any tax withholding in connection with the Award.

**12. TAX CONSEQUENCES.** You hereby agree that the Company does not have a duty to design or administer the Plan or its other compensation programs in a manner that minimizes your tax liabilities. You shall not make any claim against the Company, or any of its Officers, Directors, Employees or Affiliates related to tax liabilities arising from the grant or vesting of your Award or from your other compensation. You represent to the Company that you have reviewed with your own tax advisors the federal, state, local and foreign tax consequences of the transactions contemplated by this Agreement. You are relying solely on such advisors and not on any statements or representations of the Company or any of its agents.

**13. UNSECURED OBLIGATION; SHAREHOLDER RIGHTS.** Your Award is unfunded, and as the holder of your Award you shall be considered an unsecured creditor of the Company with respect to the Company's obligation, if any, to issue shares of Common Stock or other property pursuant to this Agreement. You shall not have voting, dividend or any other rights of a shareholder of the Company with respect to the shares of Common Stock issuable in respect of the Restricted Stock Units until such shares have been issued and delivered to you pursuant to this Agreement following the vesting of the Restricted Stock Units. Upon such issuance and delivery, you shall obtain full voting, dividend and other rights as a shareholder of the Company. Nothing contained in this Agreement, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind or a fiduciary relationship between you and the Company or any other person.

**14. NOTICES.** Any notices provided for in your Award, this Agreement or the Plan shall be given in writing and shall be deemed effectively given upon receipt or, in the case of notices delivered by mail by the Company to you, five days after deposit in the United States mail, postage prepaid, addressed to you at the last address you provided to the Company. Notwithstanding the foregoing, the Company may, in its sole discretion, decide to deliver any notices or documents related to your Award, this Agreement or the Plan by electronic means (including email). You hereby consent to receive such notices and documents by electronic delivery and, if requested, to agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

**15. APPLICABILITY OF THE PLAN.** Your Award and this Agreement are subject to all of the provisions of the Plan, the provisions of which are hereby made a part of your Award and are further subject to all interpretations and amendments of the Plan which may from time to time be promulgated and adopted pursuant to the Plan. In the event of any conflict between the provisions of this Agreement and those of the Plan, the provisions of the Plan shall control.

**16. SEVERABILITY.** If all or any part of this Agreement or the Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any portion of this Agreement or the Plan not declared to be unlawful or invalid. Any Section of this Agreement or the Plan (or part of such a Section) so declared to be unlawful



or invalid shall, if possible, be construed in a manner which will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.

**17. EFFECT ON OTHER EMPLOYEE BENEFIT PLANS.** The value of your Award subject to this Agreement shall not be included as compensation, earnings, salaries or other similar terms used when calculating your benefits under any employee benefit plan sponsored by the Company or any Affiliate, except as such plan otherwise expressly provides. The Company expressly reserves its right to amend, modify or terminate any of the Company's or any Affiliate's employee benefit plans.

**18. AMENDMENT.** This Agreement may not be modified or amended except by an instrument in writing, signed by a duly authorized representative of the Company, provided that no such amendment materially adversely affecting your rights hereunder may be made without your written consent. However, the Company reserves the right to change, by written notice to you, the provisions of this Agreement in any way it may deem necessary or advisable to carry out the purpose of the Award as a result of any change in applicable laws or regulations or any future law, regulation, ruling or judicial decision, provided that any such change shall be applicable only to rights relating to that portion of your Award which is then subject to restrictions as provided herein.

**19. COMPLIANCE WITH SECTION 409A OF THE CODE.** Your Award is intended to be exempt from the application of Section 409A of the Code, including but not limited to, by reason of complying with the "short-term deferral" rule set forth in Treasury Regulation Section 1.409A-1(b)(4) and any ambiguities herein shall be interpreted accordingly. Notwithstanding the foregoing, if it is determined that your Award fails to satisfy the requirements of the short-term deferral rule and is otherwise not exempt from, and determined to be deferred compensation subject to Section 409A of the Code, your Award shall comply with Section 409A to the extent necessary to avoid adverse personal tax consequences and any ambiguities herein shall be interpreted accordingly. If it is determined that your Award is deferred compensation subject to Section 409A and you are a "specified employee" (within the meaning set forth in Section 409A(a)(2)(B)(i) of the Code) as of the date of your "separation from service" (as defined in Section 409A), then the issuance of any shares of Common Stock that would otherwise be made upon the date of your separation from service or within the first six months thereafter shall not be made on the originally scheduled date and shall instead be issued in a lump sum on the date that is six months and one day after the date of the separation from service, with the balance of such shares issued thereafter in accordance with the original vesting and issuance schedule set forth above, but if and only if such delay in the issuance of such shares is necessary to avoid the imposition of adverse taxation on you in respect of such shares under Section 409A of the Code. Each installment of shares of Common Stock that vests is intended to constitute a "separate payment" for purposes of Treasury Regulation Section 1.409A-2(b)(2).

**20. MISCELLANEOUS.**

**(a)** The Company may assign any of its rights under the Grant Notice, this Agreement and the Plan to one or more assignees, and all covenants contained in the Grant Notice, this Agreement and the Plan shall inure to the benefit of, and be enforceable by, the Company's successors and assigns. All obligations of the Company under the Grant Notice, this Agreement and the Plan shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation or

otherwise, of all or substantially all of the business and/or assets of the Company. Your rights and obligations under your Award may only be assigned with the prior written consent of the Company.

**(b)** You agree upon request to execute any further documents or instruments necessary or desirable in the sole determination of the Company to carry out the purposes or intent of your Award.

**(c)** You acknowledge and agree that you have reviewed this Agreement, the Grant Notice and the Plan in their entirety, have had an opportunity to obtain the advice of counsel prior to executing and accepting your Award, and fully understand all provisions of your Award.

**(d)** This Agreement shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

**(e)** The laws of the State of California shall govern all questions concerning the interpretation, validity, administration, performance and enforcement of the Grant Notice, this Agreement and the Plan, without regard to that state's conflict of law rules.

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

I, Lecil E. Cole, certify that:

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

Date: June 6, 2023

/s/ Lecil E. Cole

Lecil E. Cole

Chief Executive Officer (Principal Executive Officer)

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

I, Shawn Munsell, certify that:

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

Date: June 6, 2023

/s/ Shawn Munsell

Shawn Munsell

Chief Financial Officer (Principal Financial Officer)

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WRITTEN STATEMENT OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

The undersigned, the Chief Executive Officer, and our Interim Chief Financial Officer of Calavo Growers, Inc. (the Company), hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge, the Company's Quarterly Report on Form 10-Q for the quarter ended April 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the Report), fully complies with the requirements of Section 13(a) or 15 (d) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 6, 2023

/s/ Lecil E Cole

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Lecil E. Cole  
Chief Executive Officer

/s/ Shawn Munsell

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Shawn Munsell  
Chief Financial Officer

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