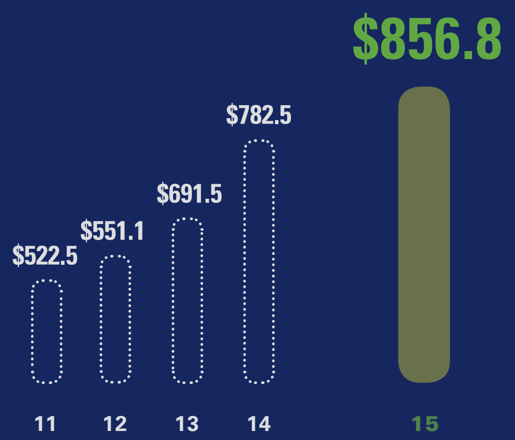
Fresher
than ever...

fresh results

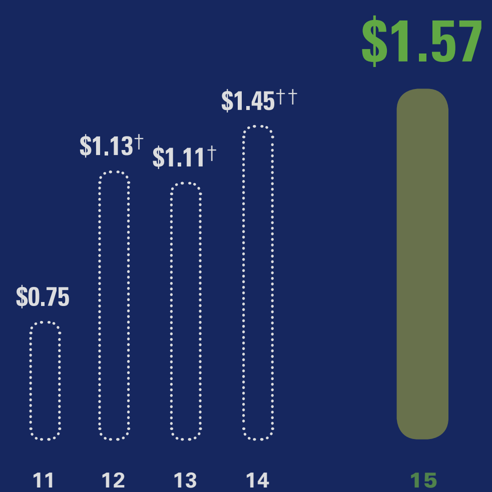
Revenue
(Dollars in Millions)



Gross Margin
(Dollars in Millions)

Net Income
(Dollars in Millions)

Earnings Per Share
(Dollars)



(*) Adjusted Annual Net Income before RFG non-cash contingent consideration expense equal to $1.3 million (2012) and $19.1 million (2013). After amounts, net income totaled $15.8 million (2012) and a net loss of $1.8 million (2013).

(**) Adjusted Annual Net Income before RFG non-cash contingent consideration expense of $33.2 million and including gain of $8.3 from deconsolidation of FreshRealm. After amounts, net income totaled $0.1 million

(†) After RFG non-cash contingent consideration, mentioned above, diluted EPS totaled $1.05 (2012) and a net loss per share of $0.12 (2013).

(††) After RFG non-cash contingent consideration, and including the gain on deconsolidation of FreshRealm, diluted EPS totaled $0.01.

Take a bite and imagine…

…if you can, the taste of a rich, creamy ripe Calavo avocado—brimming with flavorful goodness beneath its pebbly green-black skin. It is the perfect finishing touch for that salad, the difference between just an average sandwich and a great one. Our fresh, prepared guacamole products taste like they just came out of the kitchen. Close your eyes, bite into one of our golden papayas and feel yourself transported to the eastern slopes of the Big Island of Hawaii where they grow.

Ninety-plus years in the making, we are *Fresher Than Ever*—diversifying and growing in new, exciting ways. Calavo has built upon its core agribusiness strength to diversify as a consumer-packaged-goods company, with best-in-category refrigerated fresh products. We continuously innovate, adding new products and healthful eating solutions to hungry consumers the world over.

We are expanding into new avocado-growing regions to satisfy demand. We are penetrating new markets to bring ever-greater efficiencies to our businesses and to put us closer to our customers.

Calavo, established 1924, yet never fresher.

To our shareholders...

LEE E. COLE
Chairman and CEO

It is with pride and pleasure that I report Calavo Growers, Inc. posted record operating results in fiscal 2015—eclipsing the prior all-time highs reached one-year earlier.

These accomplishments—along with corporate initiatives put in motion last year—are expected to continue powering the company's upward trajectory and measurably strengthen the underpinnings of our industry-leadership position well into the future. Significant fiscal 2015 achievements included:

- **Registering record revenue, gross margin, net income and per-share results;**
- **Packing and marketing 16 percent more fresh avocado units year-over-year to keep pace with total industry fruit consumption which shattered the two-billion pound mark;**
- **Continuing to expand our best-in-category, fresh-refrigerated-packaged business segment—Renaissance Food Group, LLC—which delivered double-digit revenue and gross-margin growth again last year; and,**
- **Investing in new facilities—a second Mexico-based fresh avocado packinghouse and a 208,000-square-foot operation in Jacksonville, Florida—which come online fully in fiscal 2016 and will enhance, respectively, fruit sourcing and proximity to our customers.**

Our company's sustained success is attributable to many factors. Most notably, it reflects the disciplined execution of Calavo's strategic business agenda. This growth blueprint has—and continues—to serve us well. If pressed to give any single reason for our accomplishments, though, I would say this: laser-sharp focus. Our management team has not strayed from its well-mapped course. We do not deviate into businesses that are not fully complementary to those at Calavo's core. And, we are judicious in the expenditure of corporate resources—both financial and human capital.

For the fiscal-year-ended October 31, 2015, net income climbed to $27.2 million, equal to $1.57 per diluted share. This compares to net income of $97,000, or $0.01 per diluted share, in the prior year. Fiscal 2014 results include contingent consideration primarily related to the revaluation of earn-out liability associated with the acquisition of RFG. Net of income tax, this non-cash operating expense approximated $32.4 million, or $1.88 per diluted share. Year-earlier results also include a gain recorded on Calavo's deconsolidation of FreshRealm, LLC which, net of income tax, equaled $7.5 million, or $0.44 per diluted share. The net effect of these two non-cash expenses approximated $24.9 million, or $1.44 per diluted share. Fiscal 2014 adjusted net income excluding these two items total $25.0 million, equal to $1.45 per diluted share.

Revenues in the most recent fiscal year grew to $856.8 million, a 9.5 percent increase over $782.5 million in fiscal 2014. Gross margin climbed 19.7 percent in fiscal 2015 to reach $85.2 million, or 10.0 percent of revenues, from $71.2 million, or 9.1 percent of revenues, one year earlier. As point of note, gross margin expansion was fueled by increases in each of Calavo's three principal business segments.

On the strength of these formidable results, our Board of Directors raised the company's annual cash dividend on Calavo common stock to 80 cents per share—a seven percent increase from the prior year—which was paid to shareholders subsequent to fiscal-year-end. Calavo's most recent distribution totaled nearly $14 million; our dividend has risen 300 percent since 2002. It is a resounding message of our commitment to delivering shareholder returns, while also re-investing profit in future growth which we are confident will fuel the company to still-greater heights.

Nowhere are those growth prospects more evident than in fresh avocado operations. The avocado industry continued its remarkable upward consumption trend line again last year, with total volume surpassing two billion pounds for the first time. That translates to per capita annual consumption of more than six and a half pounds—a staggering growth rate from just a decade ago when that figure registered approximately two pounds. As mind-boggling as that statistic sounds, double-digit growth—to as high as two and a half billion pounds—is expected again in 2016. With our market-leading industry position, Calavo is playing an instrumental role in driving avocado category growth, not to mention, is its principal beneficiary. Our company packed and marketed 16 percent more avocado units last year in this rising green tide.

A growing Hispanic population, awareness of the fruit's health benefits, and brilliant industry marketing are pillars of today's Avocado Age. In my estimation, though, the single-most significant factor in this prolonged growth has been the advent of avocado ripening and pre-conditioning technologies, with our own ProRipeVIP™ leading the charge. A boon to consumption, the convenience afforded consumers by delivering ripe, ready-to-eat avocados to their local grocery stores cannot be overstated. It compresses selling cycles and increases demand. And the more avocados consumers eat, the more they seem to want.

Internationally, avocado demand is rising rapidly, as well, and we are better positioned than ever to satisfy the collective global appetite. Our capital investment in a second Mexico-based packinghouse in Guzmán, Jalisco—another prime avocado growing region—will provide Calavo a strong source for fresh fruit directed toward markets including Japan, China, other parts of Asia, and Europe. With strong grower relationships in Jalisco and deep, longstanding operational experience in Mexico, we intend to keep leveraging this bountiful region to meet domestic and global demand.

Through RFG, we continue to expand the company footprint in the refrigerated fresh packaged goods category, the fastest-growing segment of the grocery industry. RFG's business model and execution have been outstanding; segment revenues have nearly tripled and gross margin has risen four-fold since its acquisition by Calavo. Central to RFG's success are quick-turn order fulfillment and just-in-time distribution of an outstanding, ever-growing product portfolio from facilities across the country.

With our company's new facility in Jacksonville—which came online subsequent to fiscal-year-end and will be fully optimized in fiscal 2016—Calavo and RFG have the platform to more deeply penetrate and better serve the southeastern United States. In addition to our physical expansion into a new region, the Jacksonville facility marks the first time fresh avocados, RFG and Calavo Foods will operate together from a single location. Beyond that, it is a milestone in our strategic vision to leverage the company's complementary business segments and operate as one.

Central to our strategy, Calavo's three principal business segments provide diverse engines that enable us to counterbalance market conditions, such as those encountered in the fresh-avocado industry last year, and continue to propel solid revenue and profit growth. The case-in-point here would be Calavo Foods. The business unit benefited from a unique, transitory downturn in fruit costs to deliver stellar segment gross margins which rose about 58 percent last year. Calavo Foods accounted for a comparatively small seven percent of total revenues in fiscal 2015.

> "Where will we go from here, you ask? Upward is my reply. I am unwavering in my optimism that fiscal 2016 will be another banner year at Calavo."

Yet this little powerhouse delivered 24 percent of company gross margin. Figures like that put things squarely in perspective. Behind those numbers is a lineup of outstanding prepared fresh avocado and salsa products—truly worthy of the Calavo brand—with strong customer affinity in the retail grocery and foodservice channels.

Our various businesses provide Calavo with solid platforms to make strategic acquisitions. Inarguably, we possess the operational expertise and breadth of human and financial resources, as well as a proven track-record of success integrating substantial acquisitions such as RFG—and growing them.

We will continue to identify and pursue transactions that are complementary to our company. As always, we are judicious in this pursuit and any prospective deals have to meet our exacting criteria, most notably being accretive to earnings. We are pursuing transactions only that can add $100 million or more to Calavo's top line; acquisitions below that threshold are now immaterial owing to the company's sustained growth. Our balance sheet is strong and flexible, with little long-term debt and ample capacity for leverage to execute the right deal on the right terms.

Where will we go from here, you ask? Upward is my reply. I am unwavering in my optimism that fiscal 2016 will be another banner year at Calavo and forecast record revenues and per-share results. I anticipate double-digit gross margin increases in each of our three business segments, as well. In every respect, Calavo is *Fresher Than Ever*, the theme of this year's annual report.

Let me close by expressing profound gratitude to our board of directors for its stewardship. I extend thanks to Calavo's senior management team and employees for their dedication and tireless work, and to our customers for their continued patronage and support. To you—our shareholders—I offer appreciation for your loyalty and confidence, which we work hard to justify each and every day.

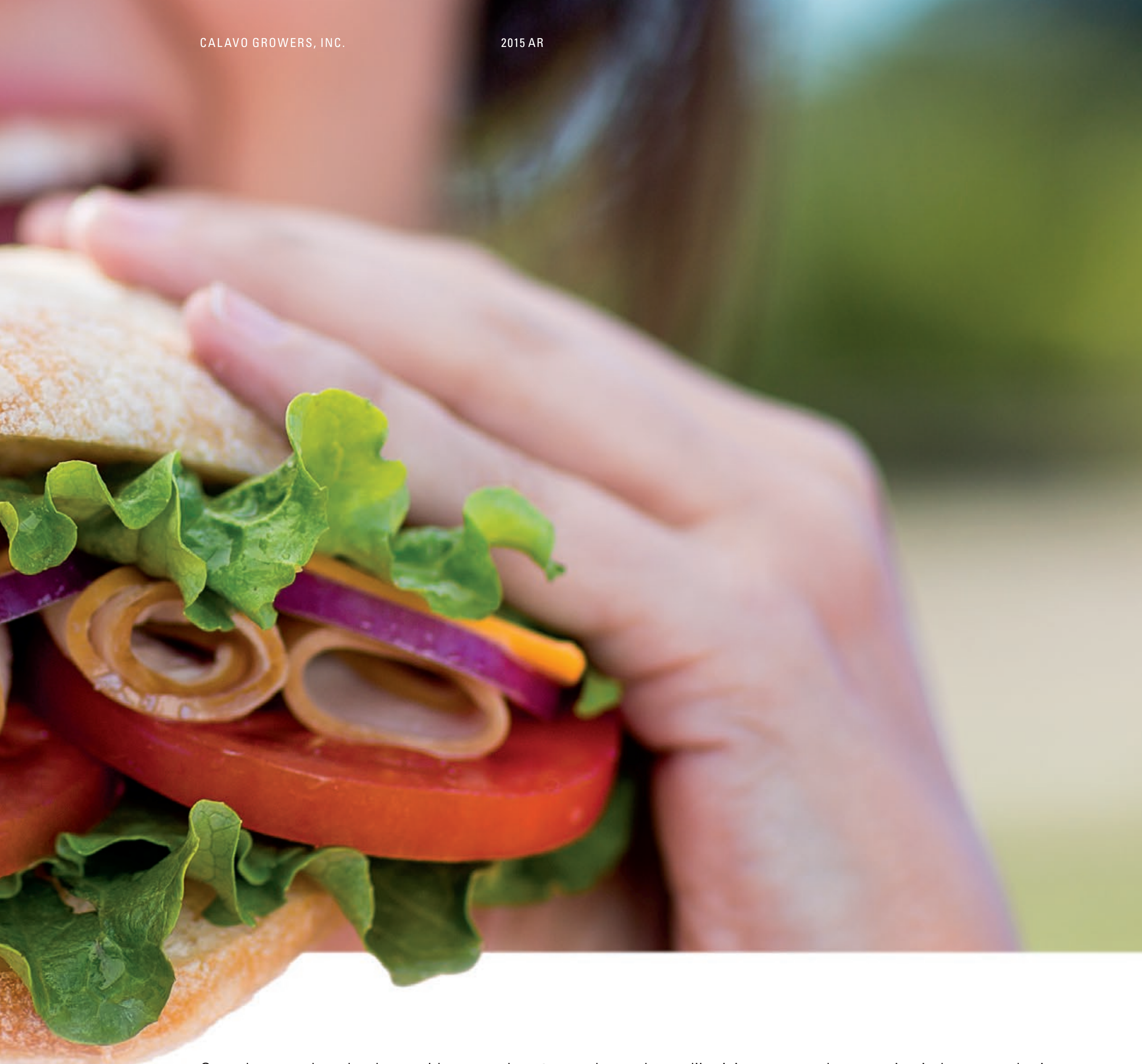
Sincerely,

Lee E. Cole
Chairman and Chief Executive Officer
March 4, 2016

REFRESHING
REFLECTIONS
follow us

Calavo has packed and marketed fresh Hawaiian papayas since 1949. Today the company is the largest distributor of tropical fruit grown from the 50th state. *#RefreshingReflections*

HILO, HAWAII —1949



Over the past decade, the world has become a greener place—avocado green, that is. Domestic consumption of avocados has risen three-fold during that span, shattering the 2-billion-pound threshold last year—equaling per capita annual consumption of more than 6 pounds...and steadily rising. The demand trend line continues to rise, with domestic consumption projected to reach as high as 2.5 billion pounds this year. Why? Fresh avocados are regarded as a "super food," their health benefits widely trumpeted. Shifting demographics and aggressive industry marketing are fueling demand. Globally, the appetite for avocados is rising, too—in high-opportunity markets like Japan, China and other parts of Asia, not to mention Europe, where growth potential also remains significant.

FRESH FACTS

On Super Bowl Sunday 2016, avocado consumption was estimated to have topped 139 million pounds—that's a whole lot of guacamole!—up 40 percent from 99 million pounds two years ago. The Super Bowl 50 commercial, *Avos In Space*, from the Mexican Hass Avocado Importers Association—part of the $55 million spent annually on industry marketing to drive consumption—was critically acclaimed as one of this year's best ads, too.

Our strategic agenda for maintaining—and expanding—Calavo's historic avocado-industry leadership has been central to the company's growth. We have built a multi-source model and meaningful grower relationships—stretching from California to Mexico to South America—that ensure a high-quality supply equal to the Calavo brand. Our best-in-category conditioning technologies—ProRipeVIP™—are a key component of the avocado-consumption boom. We can deliver avocados pre-ripened to ready-to-eat specifications, a game-changer for avocado purchase habits. And last year, to meet rising global demand, we announced construction of a second Mexico packinghouse in Guzmán, Jalisco, which will come online in fiscal 2016. Through the Guzmán facility, Calavo will further diversify sourcing and packing of fresh avocados for export to international markets, including Japan, China, across Asia and to Europe.

Fast means fresh in the produce and perishable foods sector. Putting the highest-quality products into customers' and their consumers' hands as quickly and efficiently as possible is the winning formula in this game. Grocers demand quick-turn order fulfillment and just-in-time distribution to ensure farm-fresh goodness. The complexity of logistics and expertise required to deliver this day-in, day-out is enormous—linking information systems to operations to transportation.

Faster

than ever...

FRESH FACTS

Calavo packed more than 15.9 million cartons of fresh avocados in fiscal 2015. To put that number into context, the cartons stacked on top of each other equal 10,680 times the total height of the Empire State Building.

Calavo's seamless distribution system and blanket of geographic coverage grew more complete last year with the construction of our new Jacksonville, Florida facility. This 208,000-square-foot operation, when fully optimized this year, will bring together our various business segments—Fresh, RFG and Calavo Foods—under one roof for the first time. It provides us a beachhead in the important southeastern U.S. region, affording greater new business opportunities via closer physical proximity. Jacksonville brings to 10 the number of strategically positioned cross-country facilities that enable us to deliver the freshest, highest-quality products.

FRESH FACTS

"The shift to fresh and refrigerated foods is unstoppable. 87% feel that fresh foods are healthier, and 80% believe that they are tastier; 78% of consumers are making a strong effort to eat more fresh versus processed foods." (Technomic study, 2014)

Healthier

than ever...

FRESH FACTS

RFG's ability to meet customer requirements is attributable to a broad, deep product lineup and continuous innovation in its test kitchens. RFG offers literally thousands of different product SKUs—enough to satisfy every appetite.

REFRESHING
REFLECTIONS
follow us

RFG began operations from a single location in Rancho Cordova, Calif. in 2002. Today, as part of Calavo, it operates 7 cutting-edge production and distribution facilities across the U.S. *#RefreshingReflections*

RANCHO CORDOVA, CALIFORNIA —2002

Calavo is well-positioned to capitalize upon two-pronged trends among American consumers. The first is a shift toward fresh, healthful eating. Consumers, in increasing numbers, are moving away from foods that are refined or processed. The other trend is busy consumers who want these healthful foods conveniently packaged and prepared to meet time-constrained lifestyles. Our company continues to be in the right place to satisfy both demands. The healthful properties of avocados are now widely known: rich in monounsaturated fats and potassium. Papayas and tomatoes are packed with anti-oxidants, flavonoids and lycopene that are recognized to reduce heart-disease and certain cancer risks. Harried lives require convenience without sacrificing health. With its robust product-development capability and comprehensive test kitchen, RFG is focused on innovation. There, RFG has targeted consumers with salad and meal kits, fresh-cut packaged fruits and veggies and other wholesome, delicious products that enable healthy, fast-and-easy eating.

The whole of our company is greater than the sum of its parts. Our three business segments each possess outstanding market positions and, even more significantly, growth potential. And, with health and wellness being major social issues, the case for fresh, wholesome foods—and the Calavo brand—is more compelling than ever.

REFRESHING
REFLECTIONS
follow us

$10,000 invested in Calavo common stock at 10/31/05, including re-invested dividends, would have grown to $69,826 at 10/31/15, a formidable 598% ROI.
#RefreshingReflections

SANTA PAULA, CALIFORNIA —2015

Stronger than ever...

Calavo's strengths extend far beyond operating metrics—albeit those once again reached record levels in fiscal 2015. Our mantle of leadership in the fresh-avocado industry—which we helped create 90 years ago—is undisputed. RFG continues to expand its market position and drive our transformation into a consumer-packaged-goods enterprise, as well as an agribusiness. Calavo Foods delivers high gross margins through great-tasting products. Driving it all? A breadth and depth of resources—including financial and human capital, most notably a senior-management team with nearly 200 years of collective industry experience among them.

(from left to right)

JOHN M. HUNT Manager, Embarcadero Ranch, Goleta, California HAROLD S. EDWARDS President and CEO, Limoneria Company, Santa Paula, California STEVEN W. HOLLISTER Managing Member, Rocking Spade, LLC, Arroyo Grande, California MARC L. BROWN Attorney/Partner, Troy Gould PC, Los Angeles, California DONALD "MIKE" SANDERS President, S&S Grove Management, Escondido, California EGIDIO "GENE" CARBONE, JR. Retired CFO, Calavo Growers, Inc., Santa Paula, California

Board of Directors

(from left to right)

GEORGE H. "BUD" BARNES Avocado Grower, Valley Center, California LECIL E. COLE Chairman and CEO, Calavo Growers, Inc., Santa Paula, California SCOTT N. VAN DER KAR Second Vice Chairman, General Manager, Van Der Kar Family Farms, Carpinteria, California DORCAS H. THILLE Owner and Operator, J.K. Thille Ranches, Santa Paula, California JAMES D. HELIN President, CEO, JDH Associates, Los Angeles, California J. LINK LEAVENS First Vice Chairman, General Manager, Leavens Ranches, Ventura, California MICHAEL A. "MIKE" DIGREGORIO Board & Strategic Advisory Services, Westlake Village, California

Selected Consolidated Financial Data

The following summary consolidated financial data (other than pounds information) for each of the years in the five-year period ended October 31, 2015, are derived from the audited consolidated financial statements of Calavo Growers, Inc.

Historical results are not necessarily indicative of results that may be expected in any future period. The following data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and notes thereto that are included elsewhere in this Annual Report.

FISCAL YEAR ENDED OCTOBER 31,	2015	2014	2013	2012	2011
(In thousands, except per share data)					
INCOME STATEMENT DATA:[(1)(2)(3)(4)(8)(9)]					
Net sales	$ 856,824	$ 782,510	$ 691,451	$ 551,119	$ 522,529
Gross margin	85,227	71,228	59,448	60,665	42,931
Selling, general and administrative	41,558	36,605	33,485	32,714	24,934
Net income attributable to Calavo Growers, Inc.	27,199	97	(1,795)	15,802	10,863
Basic net income per share	$ 1.57	$ 0.01	$ (0.12)	$ 1.07	$ 0.74
Diluted net income per share	$ 1.57	$ 0.01	$ (0.12)	$ 1.05	$ 0.74
BALANCE SHEET DATA AS OF END OF PERIOD:[(4)(10)]					
Working capital	$ 18,964	$ 22,047	$ (3,252)	$ 1,287	$ 2,323
Total assets	284,945	283,464	239,810	207,787	185,284
Accrued expenses	21,311	25,303	36,541	30,554	25,565
Current portion of long-term obligations	2,206	5,099	5,258	5,416	5,448
Long-term debt, less current portion	586	2,791	7,792	13,039	18,244
Shareholders' equity	185,982	179,406	119,093	102,719	89,632
CASH FLOWS PROVIDED BY (USED IN):					
Operations	$ 37,283	$ 24,547	$ 13,712	$ 22,011	$ 7,866
Investing[(2)(3)(5)(7)]	(21,054)	(21,753)	(7,746)	(7,449)	(20,907)
Financing[(6)]	(15,802)	(4,069)	(5,050)	(10,233)	14,751
OTHER DATA:					
Dividends declared per share	$ 0.80	$ 0.75	$ 0.70	$ 0.65	$ 0.55
Net book value per share	$ 10.70	$ 10.37	$ 7.58	$ 6.90	$ 6.07
Pounds of California avocados sold	75,538	74,438	141,400	127,145	84,913
Pounds of non-California avocados sold	312,710	258,940	218,244	174,995	156,973
Pounds of processed avocados products sold	27,182	26,451	21,636	17,341	18,811

financial section

(1) In July 2013, we entered into an Amended and Restated Limited Liability Company Agreement of FreshRealm. When we deconsolidated FreshRealm (see below), principal operations had not yet commenced. As a result, FreshRealm had no sales or cost of sales. FreshRealm had incurred $1.0 million and $1.9 million of expenses related to its development as of October 31, 2014 and 2013, which are included in selling, general and administrative expenses.

(2) In May 2014, we deconsolidated FreshRealm (see above). We recorded a gain on the deconsolidation of FreshRealm of $12.6 million, which has been recorded on the face of the income statement as other income. Our investment of $17.8 million in FreshRealm has been recorded as investment in unconsolidated subsidiaries on our balance sheet. See Note 18 in prior year's Consolidated Financial Statements for more information related to the deconsolidation of FreshRealm.

(3) In October 2012, we entered into a sale agreement with SRD, pursuant to which the Company has agreed to sell to SRD all of our interest, representing one-half ownership, in Maui Fresh for $2.6 million. This transaction resulted in a gain on sale of approximately $0.5 million.

(4) On April 10, 2013, we repurchased 165,000 shares of our common stock from Limoneira for cash consideration of $4.8 million at a purchase price of $29.02 per share, the closing price on April 10, 2013. These shares were cancelled and returned to authorized, but unissued, status.

(5) In July 2015, Calavo Sub entered into a Shareholder Agreement with Belo a Mexican Company owned by Agricola Belher, and Don Memo. Don Memo, a Mexican corporation created in July 2013, is engaged in the business of owning and improving land in Jalisco, Mexico for the growing of tomatoes and other produce and the sale and distribution of tomatoes and other produce. In fiscal 2013, we contributed $1.0 million as an investment in Don Memo. In fiscal 2014, we have advanced an additional $3.2 million as a bridge loan. In fiscal 2015, we have contributed an additional $1.0 million as an investment in Don Memo, totaling $2.0 as an investment in Don Memo. Additionally, in fiscal 2015 we loaned $0.8 million for a total of $4.0 million as a bridge loan. We have recorded such loans in prepaids and other current assets. This bridge loan is expected to be replaced with a loan from an institutional lender during our first fiscal quarter of 2016 at which time our bridge loan will be immediately repaid from the proceeds of the new loan.

(6) Cost of Sales for fiscal 2014, 2013, and 2012 include non-cash compensation expense related to the acquisition of RFG totaling $1.8 million, $0.7 million, and an insignificant amount. These non-cash expenses will not continue into fiscal 2015 nor beyond. See Note 3 in prior year's Consolidated Financial Statements for more information.

(7) Selling, General, and Administrative expenses for fiscal 2014, 2013 and 2012 include non-cash compensation expense related to the acquisition of RFG totaling $0.7 million, $0.3 million, and an insignificant amount. These non-cash expenses will not continue into the future. See Note 3 in prior year's Consolidated Financial Statements for more information.

(8) Included in accrued liabilities as of October 31, 2013, 2012, and 2011 is a non-cash, contingent consideration liability totaling $15.6 million, $11.2 million, and $8.3 million related to the acquisition of RFG. This liability resolved during fiscal 2014 and will not continue in the future. See Note 3 in prior year's Consolidated Financial Statements for more information.

Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition and results of operations together with "Selected Consolidated Financial Data" and our consolidated financial statements and notes thereto that appear elsewhere in this Annual Report. This discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions. Actual results may differ materially from those anticipated in these forward-looking statements as a re sult of various factors, including, but not limited to, those presented under "Risks related to our business" included in our annual report on Form 10-K.

OVERVIEW

We are a leader in the distribution of avocados, prepared avocado products, and other perishable food products throughout the United States. 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 food distributors, produce wholesalers, supermarkets, and restaurants on a worldwide basis. We procure avocados principally from California and Mexico. Through our various operating facilities, we (i) sort, pack, and/or ripen avocados, tomatoes and/or Hawaiian grown papayas, (ii) process and package fresh cut fruit and vegetables, salads, wraps, sandwiches, fresh snacking products and a variety of behind-the-glass deli items and (iii) produce and package guacamole and salsa. We report our operations in three different business segments: (1) Fresh products, (2) Calavo Foods and (3) RFG. See Note 11 to our consolidated financial statements for further discussion.

Our Fresh products business grades, sizes, packs, cools, and ripens (if desired) avocados for delivery to our customers. During fiscal 2015, we operated two packinghouses and three operating and distributing facilities that handle avocados across the United States. These packinghouses handled approximately 28% of the California avocado crop during the 2015 fiscal year, based on data obtained from the California Avocado Commission. Our operating results and the returns we pay our growers are highly dependent on the volume of avocados delivered to our packinghouses, as a significant portion of our costs is fixed. Our strategy calls for continued efforts to retain and recruit growers that meet our business model. Additionally, our Fresh products business also procures avocados grown in Mexico, as well as other various commodities, including tomatoes, papayas, and pineapples. We operate a packinghouse in Mexico that, together with certain co-packers that we frequently purchase fruit from, handled approximately 18% of the Mexican avocado crop bound for the United States market and approximately 5% of the avocados exported from Mexico to countries other than the United States during the 2014-2015 Mexican season, based on our estimates. Our strategy is to increase our market share of currently sourced avocados to help meet anticipated demand. We believe our diversified avocado sources provide a level of supply stability that may, over time, help solidify the demand for avocados among consumers in the United States and elsewhere in the world. We believe our efforts in distributing our other various commodities, such as those shown above, complement our offerings of avocados. From time to time, we continue to explore distribution of other crops that provide reasonable returns to the business.

Our Calavo Foods business procures avocados, processes avocados into a wide variety of guacamole products, and distributes the processed product to our customers. All of our prepared avocado products shipped to North America are "cold pasteurized" and include both frozen and fresh guacamole. Due to the long shelf-life of our frozen guacamole and the purity of our fresh guacamole, we believe that we are well positioned to address the diverse taste and needs of today's customers. Additionally, we also prepare various fresh salsa products. Customers include both food service industry and retail businesses. We continue to seek to expand our relationships with major food service companies and develop alliances that will allow our products to reach a larger percentage of the marketplace.

Net sales of frozen products represented approximately 52% and 55% of total processed segment sales for the years ended October 31, 2015 and 2014. Net sales of our ultra-high pressure products represented approximately 48% and 45% of total processed segment sales for the years ended October 31, 2015 and 2014.

Our RFG business produces, markets and distributes nationally a portfolio of healthy, high quality fresh packaged food products for consumers via the retail channel. RFG products include fresh prepared fruit and vegetables, fresh prepared entrée salads, wraps, sandwiches and fresh snacking products as well as ready-to-heat entrees and other hot bar and behind-the-deli glass meal and salad kits. RFG products are marketed under the Garden Highway Fresh Cut, Garden Highway, and Garden Highway Chef Essentials as well as store-brand, private label programs.

The operating results of all of our businesses have been, and will continue to be, affected by quarterly and annual fluctuations and market downturns due to a number of factors, such as pests and disease, weather patterns, changes in demand by consumers, the timing of the receipt, reduction, or cancellation of significant customer orders, the gain or loss of significant customers, market acceptance of our products, our ability to develop, introduce, and market new products on a timely basis, availability and cost of avocados and supplies from growers and vendors, new product introductions by our competitors, change in the mix of avocados and Calavo Foods and RFG products we sell, and general economic conditions. We believe, however, that we are currently positioned to address these risks and deliver favorable operating results for the foreseeable future.

RECENT DEVELOPMENTS

Dividend Payment

On December 8, 2015, we paid a $0.80 per share dividend in the aggregate amount of $13.9 million to shareholders of record on November 17, 2015.

Avocados de Jalisco

In August 2015, we entered into a Shareholder's Agreement with various partners which created Avocados de Jalisco, S.A.P.I. de C.V. ("Avocados de Jalisco"). Avocados de Jalisco is a Mexican corporation created to engage in procuring, packing and selling avocados in Jalisco Mexico. This entity is approximately 80% owned by Calavo and was consolidated as of October 31, 2015. Avocados de Jalisco is currently building a packinghouse located in Jalisco, Mexico and such packinghouse is expected to be operational in the second quarter of 2016.

Contingencies

From time to time, we are also 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.

In January 2015, various class action lawsuits, which have been consolidated into a single lawsuit during our second fiscal quarter, were initiated against the company related to the restatement of previously-issued financial statements. In the third quarter of fiscal 2015, the plaintiffs filed an amended complaint, to which we filed a motion to dismiss (MTD). In the fourth quarter of fiscal 2015, the plaintiffs filed an opposition to this MTD, to which we subsequently filed a reply to said opposition. Ultimately, in our 4th fiscal quarter, our MTD was granted, but with leave to amend. During our first quarter of fiscal 2016, the plaintiffs filed another amended complaint, to which we filed another MTD. The next hearing before the judge is expected during the second quarter of fiscal 2016. We intend to vigorously defend ourselves against this lawsuit and we do not expect that such legal claims and litigation will ultimately have a material adverse effect on our consolidated financial position or results of operations.

CRITICAL ACCOUNTING ESTIMATES

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, we re-evaluate all of our estimates, including those related to the areas of customer and grower receivables, inventories, useful lives of property, plant and equipment, promotional allowances, income taxes, retirement benefits, and commitments and contingencies. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Additionally, we frequently engage 3rd party valuation experts to assist us with estimates described below. Actual results may materially differ from these estimates under different assumptions or conditions as additional information becomes available in future periods.

Management has discussed the development and selection of critical accounting estimates with the Audit Committee of the Board of Directors and the Audit Committee has reviewed our disclosure relating to critical accounting estimates in this Annual Report.

We believe the following are the more significant judgments and estimates used in the preparation of our consolidated financial statements.

Promotional allowances

We provide for promotional allowances at the time of sale, based on our historical experience. Our estimates are generally based on evaluating the relationship between promotional allowances and gross sales. The derived percentage is then applied to the current period's sales revenues in order to arrive at the appropriate debit to sales allowances for the period. The offsetting credit is made to accrued liabilities. When certain amounts of specific customer accounts are subsequently identified as promotional, they are written off against this allowance. Actual amounts may differ from these estimates and such differences are recognized as an adjustment to net sales in the period they are identified. A 1% change in the derived percentage for the entire year would impact results of operations by approximately $0.7 million.

Income taxes

We account for deferred tax liabilities and assets for the future consequences of events that have been recognized in our consolidated financial statements or tax returns. Measurement of the deferred items is based on enacted tax laws. In the event the future consequences of differences between financial reporting bases and tax bases of our assets and liabilities result in a deferred tax asset, we perform an evaluation of the probability of being able to realize the future benefits indicated by such asset. A valuation allowance related to a deferred tax asset is recorded when it is more likely than not that some portion or all of the deferred tax asset will not be realized.

As a multinational corporation, we are subject to taxation in many jurisdictions, and the calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in various taxing jurisdictions. If we ultimately determine that the payment of these liabilities will be unnecessary, the liability will be reversed and we will recognize a tax benefit during the period in which it is determined the liability no longer applies. Conversely, we record additional tax charges in a period in which it is determined that a recorded tax liability is less than the ultimate assessment is expected to be.

The application of tax laws and regulations is subject to legal and factual interpretation, judgment and uncertainty. Tax laws and regulations themselves are subject to change as a result of changes in fiscal policy, changes in legislation, the evolution of regulations and court rulings. Therefore, the actual liability for U.S. or foreign taxes may be materially different from management's estimates, which could result in the need to record additional tax liabilities or potentially reverse previously recorded tax liabilities.

Goodwill and acquired intangible assets

Goodwill, defined as unidentified asset(s) acquired in conjunction with a business acquisition, is tested for impairment on an annual basis and between annual tests whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill is tested at the reporting unit level, which is defined as an operating segment or one level below the operating segment. Goodwill impairment testing is a two-step process. The first step of the goodwill impairment test, used to identify potential impairment, compares the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired, and the second step of the impairment test would be unnecessary. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test must be performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test, used to measure the amount of impairment loss, compares the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss must be recognized in an amount equal to that excess. Goodwill impairment testing requires significant judgment and management estimates, including, but not limited to, the determination of (i) the number of reporting units, (ii) the goodwill and other assets and liabilities to be allocated to the reporting units and (iii) the fair values of the reporting units. The estimates and assumptions described above, along with other factors such as discount rates, will significantly affect the outcome of the impairment tests and the amounts of any resulting impairment losses. We performed our annual assessment of goodwill and determined that no impairment existed as of October 31, 2015.

Allowance for accounts receivable

We provide an allowance for estimated uncollectible accounts receivable balances based on historical experience and the aging of the related accounts receivable. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

RESULTS OF OPERATIONS

The following table sets forth certain items from our consolidated statements of income, expressed as percentages of our total net sales, for the periods indicated:

YEAR ENDED OCTOBER 31,	2015	2014	2013
Net sales	100%	100%	100%
Gross margins	9.9%	9.1%	8.6%
Selling, general and administrative	4.9%	4.7%	4.8%
Contingent consideration related to RFG acquisition	0.0%	6.5%	4.8%
Operating income	5.1%	(2.1)%	(1.0)%
Interest income	0.0%	0.0%	0.0%
Interest expense	(0.1)%	(0.1)%	(0.2)%
Other income, net	0.0%	0.1%	0.1%
Net income (loss)	3.2%	0.0%	(0.4)%

NET SALES

We believe that the fundamentals for our products continue to be favorable. Firstly, Americans continue to eat more avocados. United States (U.S.) avocado demand continues to grow, with per capita use in 2014/15 reaching 6.5 pounds per person, up 6 percent from the previous year, and approximately 104% higher the estimate of a decade ago. We believe that the healthy eating trend that has been developing in the United States contributes to such growth, as avocados, which are cholesterol and sodium free, are dense in fiber, vitamin B6, antioxidants, potassium, folate, and contain unsaturated fat, which help lower cholesterol. Also, a growing number of research studies seem to suggest that phytonutrients, which avocados are rich in, help fight chronic illnesses, such as heart disease and cancer.

Additionally, we believe that the demographic changes in the U.S. will greatly impact the consumption of avocados and avocado-based products. The Hispanic community currently accounts for approximately 17% of the U.S. population, and the total number of Hispanics is estimated to triple by the year 2050. Avocados are considered a staple item purchased by Hispanic consumers, as the per-capita avocado consumption in Mexico is considered significantly higher than that of the U.S.

We anticipate avocado products will further penetrate the United States marketplace driven by year-round availability of fresh avocados due to imports, a rapidly growing Hispanic population, and the promotion of the health benefits of avocados. As the largest marketer of avocado products in the United States, we believe that we are well positioned to leverage this trend and to grow our Fresh products and Calavo Foods segments of our business. Additionally, we also believe that avocados and avocado based products will further penetrate other marketplaces that we currently operate in, as interest in avocados continues to expand.

In October 2002, the USDA announced the creation of a Hass Avocado Board to promote the sale of Hass variety avocados in the U.S. marketplace. This board provides a basis for a unified funding of promotional activities based on an assessment on all avocados sold in the U.S. marketplace. The California Avocado Commission, which receives its funding from California avocado growers, has historically shouldered the promotional and advertising costs supporting avocado sales. We believe that the incremental funding of promotional and advertising programs in the U.S. will, in the long term, positively impact average selling prices and will favorably impact our avocado businesses. During fiscal 2015, 2014 and 2013, on behalf of avocado growers, we remitted approximately $1.7 million, $1.7 million and $2.0 million to the California Avocado Commission. During fiscal 2015, 2014 and 2013, we remitted approximately $8.3 million, $7.1 million and $8.0 million to the Hass Avocado Board related to avocados.

We also believe that our diversified fresh products, primarily tomatoes and papayas, are positioned for future growth.

The tomato is the fourth most popular fresh-market vegetable behind potatoes, lettuce, and onions in the United States. Although stabilizing in the first decade of the 2000s, annual average fresh-market tomato consumption remains well above that of the previous decade. Over the past few decades, per capita use of tomatoes has been on the rise due to the enduring popularity of salads, salad bars, and submarine sandwiches. Perhaps of greater importance has been the introduction of improved and new tomato varieties, heightened consumer interest in a wider range of tomatoes, a surge of new immigrants who eat vegetable-intensive diets, and expanding national emphasis on health and nutrition.

Papayas have become more popular as the consumption in the United States has more than doubled in the past decade. Papayas have high nutritional benefits. They are rich in anti-oxidants, the B vitamins, folate and pantothenic acid; and the minerals, potassium and magnesium; and fiber. Together, these nutrients promote the health of the cardiovascular system and also provide protection against colon cancer.

Additionally, through the acquisition of RFG, we substantially expanded and accelerated the Company's presence in the fast-growing refrigerated fresh packaged foods category through an array of retail product lines for produce, deli, and food service departments. RFG products include fresh prepared fruit and vegetables, fresh prepared entrée salads, wraps, sandwiches and fresh snacking products as well as ready-to-heat entrees and other hot bar and behind-the-deli glass meal and salad kits. RFG products are marketed under the Garden Highway Fresh Cut, Garden Highway, and Garden Highway Chef Essentials as well as store-brand, private label programs.

The following tables set forth sales by product category and sales incentives, by segment (dollars in thousands):

	YEAR ENDED OCTOBER 31, 2015				YEAR ENDED OCTOBER 31, 2014			
	FRESH PRODUCTS	CALAVO FOODS	RFG	TOTAL	FRESH PRODUCTS	CALAVO FOOD	RFG	TOTAL
THIRD-PARTY SALES:								
Avocados	$ 471,178	$ —	$ —	$ 471,178	$ 433,581	$ —	$ —	$ 433,581
Tomatoes	18,681	—	—	18,681	19,705	—	—	19,705
Papayas	9,485	—	—	9,485	12,619	—	—	12,619
Pineapples	2,397	—	—	2,397	5,086	—	—	5,086
Other fresh products	442	—	—	442	1,037	—	—	1,037
Food service	—	49,212	—	49,212	—	48,085	—	48,085
Retail and club	—	22,736	296,697	319,433	—	22,334	255,074	277,408
Total gross sales	502,183	71,948	296,697	870,828	472,028	70,419	255,074	797,521
Less sales incentives	(1,472)	(9,792)	(2,740)	(14,004)	(1,079)	(11,140)	(2,792)	(15,011)
Net sales	$ 500,711	$ 62,156	$ 293,957	$ 856,824	$ 470,949	$ 59,279	$ 252,282	$ 782,510

	YEAR ENDED OCTOBER 31, 2014				YEAR ENDED OCTOBER 31, 2013			
	FRESH PRODUCTS	CALAVO FOODS	RFG	TOTAL	FRESH PRODUCTS	CALAVO FOOD	RFG	TOTAL
THIRD-PARTY SALES:								
Avocados	$ 433,581	$ —	$ —	$ 433,581	$ 407,678	$ —	$ —	$ 407,678
Tomatoes	19,705	—	—	19,705	22,623	—	—	22,623
Papayas	12,619	—	—	12,619	13,077	—	—	13,077
Pineapples	5,086	—	—	5,086	5,739	—	—	5,739
Other fresh products	1,037	—	—	1,037	601	—	—	601
Food service	—	48,085	—	48,085	—	43,616	—	43,616
Retail and club	—	22,334	255,074	277,408	—	18,789	195,376	214,165
Total gross sales	472,028	70,419	255,074	797,521	449,718	62,405	195,376	707,499
Less sales incentives	(1,079)	(11,140)	(2,792)	(15,011)	(1,349)	(10,791)	(3,908)	(16,048)
Net sales	$ 470,949	$ 59,279	$ 252,282	$ 782,510	$ 448,369	$ 51,614	$ 191,468	$ 691,451

Net sales to third parties by segment exclude inter-segment sales and cost of sales. For fiscal year 2015, 2014 and 2013, inter-segment sales and cost of sales of $1.5 million, $2.2 million and $1.9 million between Fresh products and RFG were eliminated. For fiscal year 2015, 2014 and 2013, inter-segment sales and cost of sales of $1.9 million, $1.7 million and $0.8 million between Calavo Foods and RFG were eliminated.

The following table summarizes our net sales by business segment:

	2015	CHANGE	2014	CHANGE	2013
(Dollars in thousands)					
NET SALES:					
Fresh products	$ 500,711	6.3%	$ 470,949	5.0%	$ 448,369
Calavo Foods	62,156	4.9%	59,279	14.9%	51,614
RFG	293,957	16.5%	252,282	31.8%	191,468
Total net sales	$ 856,824	9.5%	$ 782,510	13.2%	$ 691,451
AS A PERCENTAGE OF NET SALES:					
Fresh products	58.4%		60.2%		64.8%
Calavo Foods	7.3%		7.6%		7.5%
RFG	34.3%		32.2%		27.7%
	100%		100%		100%

Summary

Net sales for the year ended October 31, 2015, compared to 2014, increased by $74.3 million, or 9.5%. The increases in sales, when compared to the same corresponding prior year periods, are related to increases in sales from all segments.

For fiscal year 2015, our largest percentage increase in sales was RFG, followed by our Fresh products segment and our Calavo Foods segment, as shown above. Our increase in RFG sales was due primarily to increased sales from cut fruit and vegetables platters, as well as an increase in sales of deli products. Our increase in Fresh product sales during fiscal year 2015 was due primarily to increased sales of Mexican and Peruvian sourced avocados. Partially offsetting this increase in Fresh product sales for fiscal year 2015, however, were decreases in sales of California and Chilean sourced avocados, papayas, pineapples, and tomatoes. We experienced an increase in our Calavo Foods segment during fiscal year 2015, which was due primarily to an increase in the sales of our guacamole and salsa products. See discussion below for further details.

While the procurement of fresh avocados related to our Fresh products segment is very seasonal, our Calavo Foods business is generally not as seasonal.

Net sales to third parties by segment exclude value-added services billed by our Uruapan packinghouse and our Uruapan processing plant to the parent company. All intercompany sales are eliminated in our consolidated results of operations.

Fresh products

Fiscal 2015 vs. Fiscal 2014:

Net sales delivered by the Fresh products business increased by approximately $29.8 million, or 6.3%, for the year ended October 31, 2015, when compared to fiscal 2014. As discussed above, this increase in Fresh product sales during fiscal 2015 was primarily related to increased sales of Mexican and Peruvian sourced avocados, partially offset by decreases in sales of California and Chilean sourced avocados, papayas, pineapples, and tomatoes. See details below.

Sales of Mexican sourced avocados increased $39.3 million, or 12.0%, for the year ended October 31, 2015, when compared to the same prior year period. The increase in Mexican sourced avocados was primarily due to an increase in the pounds sold, which increased by approximately 51.3 million pounds of avocados sold, or 20.1%, when compared to the same prior year period. Partially offsetting this increase in pounds sold, however, is a decrease in the sales price per carton. The sales price per carton for Mexican sourced avocados decreased by approximately 6.7%. We attribute much of this change to a higher supply of avocados in the market.

Sales of Peruvian sourced avocados increased to $5.4 million for the year ended October 31, 2015, compared to $0.8 million for the same period for fiscal 2014. The increase in Peruvian sourced avocados was primarily due to an increase in the pounds sold, which increased by approximately 5.2 million pounds.

Partially offsetting such increases was a decrease in sales of California sourced avocados, which decreased $3.7 million, or 3.6% for the year ended October 31, 2015, when compared to the same prior year period. The decrease in California sourced avocados was primarily due to a decrease in the sales price per carton, which decreased approximately 5.0%. Partially offsetting this decrease, however, was an increase pounds sold. California sourced avocados sales reflect an increase in 1.1 million pounds of avocados sold, or 1.5%, when compared to the same prior year period.

Sales of Chilean sourced avocados decreased $3.0 million, or 97.4%, for the year ended October 31, 2015, when compared to the same prior year period. The decrease in Chilean sourced avocados was primarily due to the Company's decision to focus more heavily on sourcing avocados from other growing regions outside the US, namely Mexico and Peru. As a result, Chilean sourced avocados sales reflect a decrease in 2.7 million pounds of avocados sold, when compared to the same prior year period. In addition, we have liquidated our unconsolidated subsidiary Calavo Chile, which further caused the above decrease.

Partially offsetting these increases were decreases in sales of pineapples, papayas and tomatoes. Sales of papayas decreased $2.7 million, or 23.9%, sales of pineapples decreased $2.7 million, or 52.9% and sales of tomatoes decreased $1.0 million, or 5.2%, for the year ended October 31, 2015, when compared to the same period for fiscal 2014. The decrease in sales for pineapples, papayas, and tomatoes are primarily due to decreases in the number of cartons sold. We attribute all of these decreases in cartons sold due primarily to weather related issues effecting the quality and quantity of the fruit.

We anticipate that sales volume of California grown avocados will increase in fiscal 2016, due to a larger expected California avocado crop. We anticipate that sales of Mexican grown avocados will increase in fiscal 2016, when compared to the same prior year period, due to higher overall volume. In addition, we anticipate that sales volume of tomatoes will increase in fiscal 2016.

Fiscal 2014 vs. Fiscal 2013:

Net sales delivered by the Fresh products business increased by approximately $22.6 million, or 5.0%, for the year ended October 31, 2014, when compared to fiscal 2013. As discussed above, this increase in Fresh product sales during fiscal 2014 was primarily related to increased sales of Mexican sourced avocados, partially offset by a decrease in sales from California sourced avocados. See details below.

Sales of Mexican sourced avocados increased $91.9 million, or 39.2%, for the year ended October 31, 2014, when compared to the same prior year period. The increase in Mexican sourced avocados was due primarily to an increase in the sales price per carton, which increased by approximately 18.8%. We attribute this increase primarily to a lower overall volume of California avocados in the marketplace, due to a smaller crop, and an overall increase in the demand of quality avocados. In addition, there was an increase in the pounds sold, which increased by approximately 37.4 million pounds of avocados sold, or 17.2%, when compared to the same prior year period.

Sales of Chilean sourced avocados increased $2.9 million for the year ended October 31, 2014, when compared to the same prior year period. The increase in Chilean sourced avocados was due to an increase in pounds sold. Chilean sourced avocados sales reflect an increased in 2.7 million pounds of avocados sold, when compared to the same prior year period. This increase in sales is due to the lower availability of California avocados, and an increased focus on obtaining an increased supply of avocados from more diversified sources.

Partially offsetting such increases was a decrease in sales of California sourced avocados, which decreased $69.3 million, or 40.4% for the year ended October 31, 2014, when compared to the same prior year period. The decrease in California sourced avocados was primarily due to a decrease in pounds sold. California sourced avocados sales reflect a decrease in 67.0 million pounds of avocados sold, or 47.4%, when compared to the same prior year period. We attribute most of this decrease in volume to the cyclically smaller California avocado crop for fiscal 2014. Partially offsetting this decrease, however, was the increase in the sales price per carton, which increased by approximately 13.3%. We attribute this increase primarily to a lower overall volume of avocados in the marketplace and an overall increase in the demand for avocados.

Sales of tomatoes decreased to $19.7 million for the year ended October 31, 2014, compared to $22.6 million for the same period for fiscal 2013. The decrease in sales for tomatoes is due to a decrease in cartons sold to 1.9 million cartons from 2.6 million cartons. Partially offsetting this decrease is an increase in the sales price per carton, which increased approximately 19.6%. We attribute this increase in the per carton selling price primarily to the 2013 (tomato) suspension agreement, which increased the floor sales price of Mexican tomatoes sold in the U.S. marketplace.

Calavo Foods

Fiscal 2015 vs. Fiscal 2014:

Sales for Calavo Foods for the year ended October 31, 2015, when compared to the same period for fiscal 2014, increased $2.9 million, or 4.9%. This increase is due to an increase in sales of prepared guacamole products which increased approximately $2.3 million, or 3.9%, for the year ended October 31, 2015, when compared to the same prior year period. The increase in sales of prepared guacamole was primarily related to an increase in overall pounds sold, which increased 0.7 million pounds, or 2.8%. In addition, sales of salsa products increased approximately $0.6 million, or 41.3%, for the year ended October 31, 2015, when compared to the same prior year period. The increase in sales of salsa was primarily related to an increase in overall pounds sold, which increased 0.4 million pounds, or 47.8%.

Fiscal 2014 vs. Fiscal 2013:

Sales for Calavo Foods for the year ended October 31, 2014, when compared to the same period for fiscal 2013, increased $7.7 million, or 14.9%. This increase is due to an increase in sales of prepared guacamole products which increased approximately $8.1 million, or 16.5%, for the year ended October 31, 2014, when compared to the same prior year period. The increase in sales of prepared guacamole was primarily related to an increase in overall pounds sold, which increased 4.8 million pounds, or 22.3%, partially offset by a decrease in the average net selling price per pound for both our frozen guacamole products and our refrigerated guacamole products of approximately 4.4%, primarily due to a change in the product mix.

RFG

Fiscal 2015 vs. Fiscal 2014:

Sales for RFG for the year ended October 31, 2015, when compared to the same period for fiscal 2014, increased $41.7 million, or 16.5%. This increase is due primarily to increased sales from cut fruit and deli products, as well as an increase in sales of cut vegetables. The overall increase in sales is primarily due to an increase in sales volume, partially offset by a decrease in the sales price per unit. Collectively, cut fruit, cut vegetable, and deli product sales increased 8.8 million units, or 31.2%. We believe the overall increase in sales volume is primarily due to an increase in demand for the variety of innovative products that we offer.

Fiscal 2014 vs. Fiscal 2013:

Sales for RFG for the year ended October 31, 2014, when compared to the same prior year period, increased $60.8 million, or 31.8%. This increase is due primarily to increased sales from packaged fresh cut fruit, packaged fresh cut vegetables and fresh prepared and packaged deli style salads, sandwiches and wraps. The overall increase in sales is primarily due to an increase in sales volume. Collectively, cut fruit, cut vegetable, and deli product sales increased 18.8 million units, or 25.9%. We believe the overall increase in sales volume is primarily due to an increase in demand for the variety of innovative packaged fresh food products that we offer.

GROSS MARGINS

The following table summarizes our gross margins and gross margin percentages by business segment:

	2015	CHANGE	2014	CHANGE	2013
(Dollars in thousands)					
GROSS MARGINS:					
Fresh products	$ 37,064	2.6%	$ 36,129	15.8%	$ 31,193
Calavo Foods	20,511	57.7%	13,010	(2.8)%	13,388
RFG	27,652	25.2%	22,089	48.6%	14,867
Total gross margins	$ 85,227	19.7%	$ 71,228	19.8%	$ 59,448
GROSS MARGIN PERCENTAGES:					
Fresh products	7.4%		7.7%		7.0%
Calavo Foods	33.0%		21.9%		25.9%
RFG	9.4%		8.8%		7.8%
Consolidated	9.9%		9.1%		8.6%

Summary

Our cost of goods sold consists predominantly of fruit costs, packing materials, freight and handling, labor and overhead (including depreciation) associated with preparing food products and other direct expenses pertaining to products sold. Gross margins increased by approximately $14.0 million, or 19.7%, for the year ended October 31, 2015, when compared to the same period for fiscal 2014. These increases were attributable to gross margin increases across all segments.

Note that RFG's Cost of Sales for fiscal 2014, and 2013, include non-cash compensation expense related to the sale/acquisition of RFG totaling $1.8 million, and $0.7 million. See Note 3 in our prior year Consolidated Financial Statements for more information.

Fresh products

Fiscal 2015 vs. Fiscal 2014:

During fiscal 2015, as compared to the same prior year period, the increase in our Fresh products segment gross margin percentage was primarily the result of increased margins for Mexican sourced avocados that increased from 8.1% in fiscal 2014 to 9.6% in fiscal 2015. In the current year, we were able to manage the spread between the sales price and the fruit cost of Mexican sourced avocados more effectively, as average fruit costs decreased 8.3%, we were able to have the decrease in sales prices to be only approximately 6.7%. In addition, the U.S. Dollar to Mexican Peso exchange rate strengthened in fiscal year 2015, more significantly compared to fiscal year 2014. Note that any significant fluctuations in the exchange rate between the U.S. Dollar and the Mexican Peso may have a material impact on future gross margins for our Fresh products and Calavo Foods segments.

Partially offsetting this increase in gross margin percentage was a decrease in the gross margin percentage for California sourced avocados for fiscal 2015, as compared to the same prior year periods. This decrease was primarily related to increased fruit cost, in the form of higher grower returns vs. the related selling prices. We believe this is primarily due to California avocado sales prices decreasing for prolonged periods of time during fiscal 2015. This declining market negatively impacted gross margins.

The gross margin and/or gross profit percentage for consignment sales, including certain Peruvian avocados, Chilean avocados, tomatoes and pineapples, are dependent on the volume of fruit we handle, the average selling prices, and the competitiveness of the returns that we provide to third-party growers/packers. The gross margin we earn is generally based on a commission agreed to with each party, which usually is a percent of the overall selling price. Although we generally do not take legal title to such avocados and perishable products, we do assume responsibilities (principally assuming credit risk, inventory loss and delivery risk, and pricing risk) that are consistent with acting as a principal in the transaction. Accordingly, our results of operations include sales and cost of sales from the sale of avocados and perishable products procured under consignment arrangements. For fiscal year 2015 we generated gross margins of $3.0 million from consigned sales. This is consistent for consigned sales compared to previous year. Sales of Peruvian sourced avocados increased to $5.4 million for the year ended October 31, 2015, compared to $0.8 million for the same period for fiscal 2014. The increase in Peruvian sourced avocados was primarily due to an increase in the pounds sold, which increased by approximately 5.2 million pounds. Sales of Chilean sourced avocados decreased $3.0 million, or 97.4%, for the year ended October 31, 2015 when compared to the same prior year period. The decrease in Chilean sourced avocados was due to a decrease in pounds sold. Chilean sourced avocados sales reflect a decrease in 2.7 million pounds of avocados sold when compared to the same prior year period. This decrease in sales is due to the high availability of other avocado sources, and an increased focus on Mexican and California sourced avocados for the year ended October 31, 2015. In addition, we have liquidated our unconsolidated subsidiary Calavo Chile, which further caused the above decrease. Sales of tomatoes decreased to $18.7 million for the year ended October 31, 2015, compared to $19.7 million for the same period for fiscal 2014. The decrease in sales for tomatoes is due to a decrease in the sales price per carton, which decreased 7.2%. We believe this decline in the sales price per carton is due to the higher supply of tomatoes in the marketplace.

Fiscal 2014 vs. Fiscal 2013:

During fiscal 2014, as compared to the same prior year period, the increase in our Fresh products segment gross margin percentage was primarily the result of increased margins for Mexican sourced avocados that increased from 5.0% in fiscal 2013 to 8.1% in fiscal 2014. In the current year, we were able to manage the spread between the sales price and the fruit cost of Mexican sourced avocados more effectively. Average fruit costs increased 15.0%, while we were able to increase sales prices by approximately 18.8%. In addition, the U.S. Dollar to Mexican Peso exchange rate weakened in fiscal year 2013, while in fiscal 2014 the U.S. Dollar to Mexican Peso exchange rate strengthened. Note that any significant fluctuations in the exchange rate between the U.S. Dollar and the Mexican Peso may have a material impact on future gross margins for our Fresh products and Calavo Foods segments.

Partially offsetting this increase in gross margin percentage was a decrease in the gross margin percentage for California sourced avocados for fiscal 2014, as compared to the same prior year periods. Gross margin percentages related to California avocados are largely dependent on production yields achieved at our packinghouses, current market prices of avocados, our packing and marketing fee, and volume of avocados packed. A significant portion of our costs are fixed. As such, a lower volume of fruit going through our packinghouses will decrease our gross margin percentage. Pounds of California avocados sold decreased 47.4% in fiscal 2014 as compared to fiscal 2013. This had the effect of increasing our per pound costs, which, as a result, negatively impacted gross margins.

The gross margin and/or gross profit percentage for consignment sales, including certain Chilean avocados, tomatoes and pineapples, are dependent on the volume of fruit we handle, the average selling prices, and the competitiveness of the returns that we provide to third-party growers/packers. The gross margin we earn is generally based on a commission agreed to with each party, which usually is a percent of the overall selling price. Although we generally do not take legal title to such avocados and perishable products, we do assume responsibilities (principally assuming credit risk, inventory loss and delivery risk, and limited pricing risk) that are consistent with acting as a principal in the transaction. Accordingly, our results of operations include sales and cost of sales from the sale of avocados and perishable products procured under consignment arrangements. For fiscal years 2014, we generated gross margins of $3.0 million from consigned sales. This is a $0.1 million increase in gross margin for consigned sales compared to previous year. Sales of Chilean sourced avocados increased $2.9 million for the year ended October 31, 2014, when compared to the same prior year period. The increase in Chilean sourced avocados was due to an increase in pounds sold. Chilean sourced avocados sales reflect an increased in 2.7 million pounds of avocados sold, when compared to the same prior year period. This increase in sales is due to the lower availability of California avocados, and an increased focus on obtaining an increased supply of avocados from more diversified sources. Sales of tomatoes decreased to $19.7 million for the year ended October 31, 2014, compared to $22.6 million for the same period for fiscal 2013. The decrease in sales for tomatoes is due to a decrease in cartons sold to 1.9 million cartons from 2.6 million cartons. Partially offsetting this decrease is an increase in the sales price per carton, which increased approximately 19.6%. We attribute this increase in the per carton selling price primarily to the 2013 (tomato) suspension agreement, which increased the floor sales price of Mexican tomatoes sold in the U.S. marketplace.

Calavo Foods

Fiscal 2015 vs. Fiscal 2014:

The Calavo Foods segment gross margin percentage during our year ended October 31, 2015, when compared to the same prior year period, increased primarily due to a decrease in fruit costs. Fruit costs decreased during our year ended October 31, 2015, by approximately 36.1%. In addition, the U.S. Dollar to Mexican Peso exchange rate strengthened for the year ended October 31, 2015, as compared to the same period year period. Note that 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 margins for our Calavo Foods segments.

Fiscal 2014 vs. Fiscal 2013:

The Calavo Foods segment gross margin percentage during our year ended October 31, 2014, when compared to the same prior year periods, decreased primarily due to an increase in fruit costs. Fruit costs increased during our year ended October 31, 2014, by approximately 2.8%. In addition, gross margins decreased due to an increase in sales of frozen, high volume but low margin customers. Partially offsetting these decreases to the gross margin percentage was the strengthening of the U.S. Dollar compared to the Mexican Peso, which decreased many of our per pound costs.

RFG

Fiscal 2015 vs. Fiscal 2014:

RFG's improved gross-margin is reflective of certain economies of scale resulting from significant sales growth (see discussion above), improved labor utilization and improved raw-material quality and yield. Benefits from superior fruit quality/yield extend beyond just lower fruit costs, but also reduce other costs, including the labor needed to process such fruit. Sales for RFG for the year ended October 31, 2015, when compared to the same period for fiscal 2014, increased $41.7 million, or 16.5%.

Fiscal 2014 vs. Fiscal 2013:

Not considering the non-cash compensation expense, gross profit for RFG for the year ended October 31, 2014, when compared to the same prior year period, increased $8.4 million, or 53.7%. RFG's improved gross-margin is reflective of certain economies of scale resulting from significant sales growth (see discussion above), improved labor utilization and improved raw-material quality and yield. Benefits from superior fruit quality/yield extend beyond just lower fruit costs, but also reduce other costs, including the labor needed to process such fruit.

SELLING, GENERAL AND ADMINISTRATIVE (Dollars in thousands)	2015	CHANGE	2014	CHANGE	2013
Selling, general and administrative	$ 41,558	13.5%	$ 36,605	9.3%	$ 33,485
Percentage of net sales	4.9%		4.7%		4.8%

Selling, general and administrative expenses include costs of marketing and advertising, sales expenses and other general and administrative costs. Selling, general and administrative expenses increased $5.0 million, or 13.5%, for the year ended October 31, 2015, when compared to the same prior year period. This increase was primarily related to higher corporate costs, including, but not limited to, general and administrative costs related to salaries (approximately $1.7 million), stock-based compensation expense (approximately $1.4 million), a write-down of contingent consideration related to Salsa Lisa (approximately $0.5 million), legal/consulting fees (approximately $0.4 million), promotion and advertising (approximately $0.3 million), data processing (approximately $0.3 million), consulting fees (approximately $0.3 million), workers compensation (approximately $0.3 million), employee benefits (approximately $0.2 million), and other admin fees (approximately $0.2 million), partially offset by a decreases in the start-up operations of FreshRealm (approximately $1.0 million) and accrued management bonuses (approximately $0.6 million).

The increase in salaries (as mentioned above) is primarily due to additional employees to help expand customer processing and increasing servicing capacity. The increase in stock-based compensation is due to the amortization of restricted stock and the one time issuance of $0.6 million related to the retirement of our former Chief Operating Officer/Chief Financial Officer. See Note 13 in our consolidated financial statements for additional information.

Selling, general and administrative expenses increased $3.1 million, or 9.3%, for the year ended October 31, 2014, when compared to the same prior year period. This increase was primarily related to higher corporate costs, including, but not limited to, general and administrative costs related to accrued management bonuses (approximately $1.3 million), salaries (approximately $1.2 million), non-cash compensation related to RFG acquisition (approximately $0.5 million), stock-based compensation expense (approximately $0.4 million), accounting fees (approximately $0.4 million), bad debt expense (approximately $0.2 million), employee benefits (approximately $0.2 million), and other administration fees (approximately $0.2 million), partially offset by a decrease in the expenses related to the start-up operations of FreshRealm (approximately $0.9 million), and a write-down of contingent consideration related to Salsa Lisa (approximately $0.3 million).

CONTINGENT CONSIDERATION RELATED TO RFG ACQUISITION (Dollars in thousands)	2015	CHANGE	2014	CHANGE	2013
Contingent consideration related to RFG acquisition	$ —	NM%	$ 51,082	55.4%	$ 32,867
Percentage of net sales	—%		6.5%		4.8%

RFG's former owners received the maximum earn-out payment permitted pursuant to the acquisition agreement in fiscal 2014. This caused the significant increase in contingent consideration for fiscal 2014. There was no contingent consideration expense for fiscal year 2015. There will be no future expenses related to this acquisition. See prior year's Consolidated Financial Statement for more information.

INTEREST INCOME (Dollars in thousands)	2015	CHANGE	2014	CHANGE	2013
Interest income	$ 77	(66.2)%	$ 228	(10.6)%	$ 255
Percentage of net sales	—%		—%		—%

Interest income was primarily generated from our loans to growers. The decrease in interest income in fiscal 2015 as compared to 2014 is due to the borrowings by California avocado growers decreasing in the current year compared to the prior year.

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INTEREST EXPENSE

(Dollars in thousands)	2015	CHANGE	2014	CHANGE	2013
Interest expense	$ 830	(15.6)%	$ 983	(10.5)%	$ 1,098
Percentage of net sales	0.1%		0.1%		0.2%

Interest expense is primarily generated from our line of credit borrowings, as well as our term loan agreements with Farm Credit West, PCA (FCW) and Bank of America, N.A. (BoA). For fiscal 2015, as compared to fiscal 2014, the decrease in interest expense was primarily related to a lower average outstanding balance on our non-collateralized, revolving credit facilities with FCW and BoA.

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OTHER INCOME, NET

(Dollars in thousands)	2015	CHANGE	2014	CHANGE	2013
Other income, net	$ 417	(11.8)%	$ 473	5.6%	$ 448
Percentage of net sales	0.0%		0.1%		0.1%

Other income, net includes dividend income, as well as certain other transactions that are outside of the normal course of operations. Other Income stayed relatively consistent in fiscal 2015 compared to fiscal 2014 and 2013. During fiscal 2015, 2014 and 2013, we received $0.3 million as dividend income from Limoneira.

Not included in the other income discussion above, is the gain on the deconsolidation of FreshRealm that is disclosed on its own line on the income statement. See prior year's Consolidated Financial Statement for more information.

PROVISION (BENEFIT) FOR INCOME TAXES

(Dollars in thousands)	2015	CHANGE	2014 (RESTATED)	CHANGE	2013 (RESTATED)
Provision for income taxes	$ 16,093	NM%	$ (3,916)	(16.9)%	$ (4,715)
Effective tax rate	37.2%		(94.8)%		(63.7)%

For fiscal year 2015, our provision for income taxes was $16.1 million, as compared to a benefit of $3.9 million recorded for the comparable prior year period. The prior year benefits for income taxes are primarily attributable to the revaluation adjustment related to contingent consideration.

The benefit for income taxes of $3.9 million in fiscal year 2014 is attributable to the revaluation adjustment of $88.1 million related to contingent consideration which was spread between fiscal year 2014 through fiscal year 2011. The prior year revaluation expense drove pre-tax book income into a loss position, thus causing a benefit for income taxes as this revaluation adjustment is capitalized and amortized as goodwill over the remaining useful life for income tax purposes resulting in a taxable income position for the prior year.

QUARTERLY RESULTS OF OPERATIONS

The following table presents our operating results for each of the eight fiscal quarters in the period ended October 31, 2015. The information for each of these quarters is derived from our unaudited interim financial statements and should be read in conjunction with our audited consolidated financial statements included in this Annual Report. In our opinion, all necessary adjustments, which consist only of normal and recurring accruals, have been included to fairly present our unaudited quarterly results. Historically, we receive and sell a substantially smaller volume of California avocados in our first fiscal quarter.

(in thousands, except per share amounts)	THREE MONTHS ENDED OCT. 31, 2015	JULY 31, 2015	APR. 30, 2015	JAN. 31, 2015	OCT. 31, 2014	JULY 31, 2014	APR. 30, 2014	JAN. 31, 2014
STATEMENT OF OPERATIONS DATA								
Net sales	$ 207,994	$ 232,450	$ 221,589	$ 194,791	$ 200,749	$ 218,702	$ 194,894	$ 168,165
Cost of sales	187,825	208,172	198,614	176,986	182,230	198,526	176,002	154,524
Gross margin	20,169	24,278	22,975	17,805	18,519	20,176	18,892	13,641
Selling, general and administrative	11,442	10,620	9,986	9,510	9,430	9,738	9,145	8,292
Contingent consideration – RFG acquisition	—	—	—	—	11,579	23,249	7,036	9,218
Operating income	8,727	13,658	12,989	8,295	(2,490)	(12,811)	2,711	(3,869)
Gain on deconsolidation of FreshRealm	—	—	—	—	—	12,622	—	—
Other income (expense), net	(237)	(107)	73	(106)	(51)	(100)	(22)	(121)
Income before provision for income taxes	8,490	13,551	13,062	8,189	(2,541)	(289)	2,689	(3,990)
Provision for income taxes	3,703	4,910	4,590	2,890	(1,493)	(1,780)	1,433	(2,076)
Net income	4,787	8,641	8,472	5,299	(1,048)	1,491	1,256	(1,914)
Add: Net loss-noncontrolling interest	—	—	—	—	(194)	60	298	148
Net income – Calavo Growers, Inc	$ 4,787	$ 8,641	$ 8,472	$ 5,299	$ (1,242)	$ 1,551	$ 1,554	$ (1,766)
Basic	$ 0.28	$ 0.50	$ 0.49	$ 0.31	$ (0.08)	$ 0.10	$ 0.10	$ (0.11)
Diluted	$ 0.28	$ 0.50	$ 0.49	$ 0.31	$ (0.08)	$ 0.09	$ 0.09	$ (0.11)
Number of shares used in per share computation:								
Basic	17,307	17,301	17,300	17,295	15,815	15,760	15,755	15,726
Diluted	17,392	17,386	17,382	17,311	15,815	17,667	17,176	15,726

LIQUIDITY AND CAPITAL RESOURCES

Operating activities for fiscal 2015, 2014 and 2013 provided cash flows of $37.3 million, $24.5 million, and $13.7 million. Fiscal year 2015 operating cash flows reflect our net income of $27.2 million, net increase of noncash charges (depreciation and amortization, income from unconsolidated entities, provision for losses on accounts receivable, interest on deferred compensation, deferred income taxes, and stock compensation expense) of $13.7 million and a net decrease from changes in the non-cash components of our working capital accounts of approximately $3.6 million.

Fiscal year 2015 decreases in operating cash flows, caused by working capital changes, includes an increase in income tax receivable of $3.5 million, an increase in accounts receivable of $2.1 million, a decrease in payable to growers of $1.9 million, and an increase in prepaid expenses and other current assets of $1.8 million, partially offset by a decrease in inventory of $4.7 million, and a decrease in advances to suppliers of $0.5 million, and a decrease in other assets of $0.5 million.

The decrease in our inventory balance is primarily related to a decrease in Mexico avocado inventory on hand at October 31, 2015, as compared to the same prior year period. The decrease in our advances to suppliers is primarily related to more sales of tomatoes in the fourth quarter of fiscal 2015 compared to prior year, which increases our tomato grower liability and lowers the advances to suppliers net balance. The increase in our accounts receivable balance as of October 31, 2015, when compared to October 31, 2014, primarily reflects an increase in sales in our RFG segment in the month of October 2015, as compared to October 2014. The decrease in payable to our growers primarily reflects a decrease in Mexican fruit delivered in the month of October 2015, as compared to the month of October 2014. The increase in income tax receivable primarily reflects the tax impact of current year's net income. The increase in prepaid

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expenses and other current assets is primarily due to additional loans to Agricola Don Memo.

Cash used in investing activities was $21.1 million, $21.8 million, and $7.7 million for fiscal years 2015, 2014, and 2013. Fiscal year 2015 cash flows used in investing activities include capital expenditures of $18.2 million, an infrastructure advance of $1.0 million to Agricola Belher, an investment of $1.0 million to the new joint venture which is expected to operate under the name of Agricola Don Memo, a loan to Agicola Don Memo of $0.8 million and an additional investment contribution in FreshRealm of $0.8 million, partially offset by the repayment of a note to San Rafael for $0.4 million, and proceeds received from the liquidation of Calavo Chile of $0.3 million.

Cash used in financing activities was $15.8 million, $4.1 million and $5.1 million for fiscal years 2015, 2014 and 2013. Cash used during fiscal year 2015 primarily related to the payment of a dividend of $12.9 million and payments on long-term debt obligations of $5.1 million. Partially offsetting these proceeds, however, includes the proceeds received for the issuance of Avocados de Jalisco stock of $0.8 million, proceeds from our non-collateralized, revolving credit facilities totaling $1.0 million, exercises of stock options of $0.2 million and the tax benefit of stock option exercises of $0.2 million.

Our principal sources of liquidity are our existing cash reserves, cash generated from operations and amounts available for borrowing under our existing credit facilities. Cash and cash equivalents as of October 31, 2015 and 2014 totaled $7.2 million and $6.7 million. Our working capital at October 31, 2015 was $19.0 million, compared to $22.0 million at October 31, 2014.

We believe that cash flows from operations and available credit facilities will be sufficient to satisfy our future capital expenditures, grower recruitment efforts, working capital and other financing requirements for the next twelve months. We will continue to evaluate grower recruitment opportunities and exclusivity arrangements with food service companies to fuel growth in each of our business segments.

Effective May 31, 2011, the Company and FCW, entered into a Term Revolving Credit Agreement (Revolving Agreement). Under the terms of the Revolving Agreement, we are advanced funds for working capital purposes, the purchase and installation of capital items, as well as other corporate needs of the Company. Total credit available under the borrowing agreement is $40 million, up from $30 million, and expires on February 1, 2016. This increase was at our request and not due to any immediate cash flows needs. The credit facility and term loan contain various financial covenants, the most significant relating to tangible net worth (as defined), Fixed Charge Coverage Ratio (as defined) and Current Ratio (as defined).

Effective September 30, 2011, the Company and Bank of America, N.A. (BoA), entered into an agreement, Amendment No. 4 to Loan Agreement (the Agreement), which amended our existing credit facility with BoA. Under the terms of the Agreement, we are advanced funds primarily for working capital purposes. Total credit available under the borrowing agreement is now $25 million, up from $15 million and now expires on February 1, 2016. We are currently working on additional financing based on expected future growth of the company.

Under the terms of these agreements, we are advanced funds for both working capital and long-term productive asset purchases. Total credit available under these combined borrowing agreements was $65 million, with a weighted-average interest rate of 1.7% at October 31, 2015 and 2014. Under these credit facilities, we had $36.9 million and $35.9 million outstanding as October 31, 2015 and 2014. These credit facilities contain various financial covenants, the most significant relating to Tangible Net Worth (as defined), Current Ratio (as defined), and Fixed Charge Coverage Ratio (as defined). We were in compliance with all such covenants at October 31, 2015.

The following table summarizes contractual obligations pursuant to which we are required to make cash payments. The information is presented as of our fiscal year ended October 31, 2015:

CONTRACTUAL OBLIGATIONS	PAYMENTS DUE BY PERIOD				
	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	3-5 YEARS	MORE THAN 5 YEARS
Long-term debt obligations (including interest)	$ 2,878	$ 2,245	$ 249	$ 210	$ 174
Revolving credit facilities	36,910	36,910	—	—	—
Defined benefit plan	215	36	72	72	35
Operating lease commitments	41,775	4,696	8,963	7,458	20,658
Total	$ 81,778	$ 43,887	$ 9,284	$ 7,740	$ 20,867

The California avocado industry is subject to a state marketing order whereby handlers are required to collect assessments from the growers and remit such assessments to the California Avocado Commission (CAC). The assessments are primarily for advertising and promotions. The amount of the assessment is based on the dollars paid to the growers for their fruit, and, as a result, is not determinable until the value of the payments to the growers has been calculated.

With similar precision, amounts remitted to the Hass Avocado Board (HAB) in connection with their assessment program are likewise not determinable until the fruit is actually delivered to us. HAB assessments are primarily used to fund marketing and promotion efforts.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

During November 2015, the FASB issued ASU 2015-17, "Balance Sheet Classification of Deferred Taxes", which simplifies the presentation of deferred income taxes. This ASU requires that deferred tax assets and liabilities be classified as non-current in a statement of financial position. We early adopted ASU 2015-17 effective October 31, 2015 on a prospective basis. Adoption of this ASU resulted in a reclassification of our net current deferred tax asset to the net non-current deferred tax asset in our Consolidated Balance Sheet as of October 31, 2015. No prior periods were retrospectively adjusted.

RECENTLY ISSUED ACCOUNTING STANDARDS

In April 2015, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") which changes the presentation of debt issuance costs in financial statements. Under the ASU, an entity presents such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs is reported as interest expense. The amendment in this ASU will be effective for us beginning the first day of our 2016 fiscal year. Early adoption is permitted. We do not expect the adoption of this amendment to have a material impact on our financial statements.

In February 2015, the FASB issued an ASU which amends certain requirements in ASC 810 for determining whether a variable interest entity must be consolidated. The amendment in this ASU will be effective for us beginning the first day of our 2016 fiscal year. Early adoption is permitted. We do not expect the adoption of this amendment to have a material impact on our financial statements.

In May 2014, the FASB amended the existing accounting standards for revenue recognition. The amendments are based on the principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. We are required to adopt the amendments in the first quarter of fiscal 2018. Early adoption is not permitted. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. We do not expect the adoption of this amendment to have a material impact on our financial statements.

In April 2014, the FASB issued guidance which changes the criteria for identifying a discontinued operation. The guidance limits the definition of a discontinued operation to the disposal of a component or group of components that is disposed of or is classified as held for sale and represents a strategic shift that has, or will have, a major effect on an entity's operations and financial results. We are required to adopt the guidance in the first quarter of fiscal 2016, with early adoption permitted for transactions that have not been reported in financial statements previously issued. We do not expect the adoption of this guidance to have a material impact on our financial statements.

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 facilities with financial institutions, 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 October 31, 2015.

	EXPECTED MATURITY DATE OCTOBER 31,							
	2016	2017	2018	2019	2020	THEREAFTER	TOTAL	FAIR VALUE
(All amounts in thousands)								
ASSETS								
Cash and cash equivalents[1]	$ 7,171	$ —	$ —	$ —	$ —	$ —	$ 7,171	$ 7,171
Accounts receivable[1]	58,606	—	—	—	—	—	58,606	58,606
Advances to suppliers[1]	15,763	—	—	—	—	—	15,763	15,763
LIABILITIES								
Payable to growers[1]	$ 3,924	$ —	$ —	$ —	$ —	$ —	$ 3,924	$ 3,924
Accounts payable[1]	19,600	—	—	—	—	—	19,600	19,600
Current borrowings pursuant to credit facilities[1]	36,910	—	—	—	—	—	36,910	36,910
Fixed-rate long-term obligations[2]	2,206	141	94	92	92	167	2,792	2,833

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

(2) Fixed-rate long-term obligations bear interest rates ranging from 1.7% to 4.3% with a weighted-average interest rate of 2.3%. We believe that loans with a similar risk profile would currently yield a return of 2.5%. We project the impact of an increase or decrease in interest rates of 100 basis points would result in a change of fair value of approximately $44,000.

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

Our Mexican-based operations utilize Mexican pesos for certain transactions. Funds are transferred by our corporate office to Mexico on a weekly basis to satisfy domestic cash needs.

Historically, the consistency of the spot rate for the Mexican peso has led to a small-to-moderate impact on our operating results. We do not anticipate using derivative instruments to hedge fluctuations in the Mexican peso to U.S. dollar exchange rates during fiscal 2016. Total foreign currency losses for fiscal years 2015, 2014, and 2013, net of gains, were $1.8 million, $0.1 million and $0.4 million.

Consolidated Balance Sheets

OCTOBER 31,	2015	2014
(in thousands)		
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 7,171	$ 6,744
Accounts receivable, net of allowances of $2,312 (2015) and $3,248 (2014)	58,606	56,618
Inventories, net	26,351	30,975
Prepaid expenses and other current assets	15,763	19,528
Advances to suppliers	2,820	3,258
Income taxes receivable	6,111	2,627
Deferred income taxes	—	3,294
Total current assets	116,822	123,044
Property, plant, and equipment, net	69,448	57,352
Investment in Limoneira Company	27,415	44,355
Investment in unconsolidated entities	19,720	18,380
Deferred income taxes	19,277	12,287
Goodwill	18,262	18,262
Other assets	14,001	9,784
	$ 284,945	$ 283,464
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Payable to growers	$ 3,924	$ 6,660
Trade accounts payable	19,600	15,065
Accrued expenses	21,311	25,303
Short-term borrowings	36,910	35,900
Dividend payable	13,907	12,970
Current portion of long-term obligations	2,206	5,099
Total current liabilities	97,858	100,997
LONG-TERM LIABILITIES:		
Long-term obligations, less current portion	586	2,791
Deferred income taxes	234	—
Total long-term liabilities	820	2,791
Commitments and contingencies		
Noncontrolling interest, Calavo Salsa Lisa	285	270
SHAREHOLDERS' EQUITY:		
Common stock ($0.001 par value, 100,000 shares authorized; 17,384 (2015) and 17,295 (2014) shares issued and outstanding	17	17
Additional paid-in capital	147,063	144,496
Accumulated other comprehensive income	2,419	12,713
Noncontrolling interest	1,011	—
Retained earnings	35,472	22,180
Total shareholders' equity	185,982	179,406
	$ 284,945	$ 283,464

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations

YEAR ENDED, OCTOBER 31,	2015	2014	2013
(in thousands, except per share amounts)			
Net sales	$ 856,824	$ 782,510	$ 691,451
Cost of sales	771,597	711,282	632,003
Gross margin	85,227	71,228	59,448
Selling, general and administrative	41,558	36,605	33,485
Contingent consideration related to RFG acquisition	—	51,082	32,867
Operating income (loss)	43,669	(16,459)	(6,904)
Losses in earnings from unconsolidated entities	(41)	(12)	(100)
Interest income	77	228	255
Interest expense	(830)	(983)	(1,098)
Gain on deconsolidation of FreshRealm	—	12,622	—
Other income, net	417	473	448
Income (loss) before provision for income taxes	43,292	(4,131)	(7,399)
Provision (benefit) for income taxes	16,093	(3,916)	(4,715)
Net income	27,199	(215)	(2,684)
Add: Net loss attributable to noncontrolling interest	—	312	889
Net income attributable to Calavo Growers, Inc.	$ 27,199	$ 97	$ (1,795)
CALAVO GROWERS, INC.'S NET INCOME PER SHARE:			
Basic	$ 1.57	$ 0.01	$ (0.12)
Diluted	$ 1.57	$ 0.01	$ (0.12)
NUMBER OF SHARES USED IN PER SHARE COMPUTATION:			
Basic	17,295	15,765	14,856
Diluted	17,363	17,220	14,856

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Operations

YEAR ENDED OCTOBER 31,	2015	2014	2013
(in thousands)			
Net income	$ 27,199	$ (215)	$ (2,684)
Other comprehensive loss, before tax:			
Unrealized investment losses arising during period	(16,940)	(1,175)	6,690
Income tax benefit related to items of other comprehensive loss	6,646	474	(2,666)
Other comprehensive loss, net of tax	(10,294)	(701)	4,024
Comprehensive income (loss)	16,905	(916)	1,340
Add: Net loss attributable to noncontrolling interest	—	312	889
Comprehensive income (loss) – Calavo Growers, Inc.	$ 16,905	$ (604)	$ 2,229

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

(in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Non-controlling Interest	Total
Balance, October 31, 2012	14,835	14	45,428	9,390	47,887	—	102,719
Exercise of stock options and income tax benefit of $59	39	—	801	—	—	—	801
Stock compensation expense	—	—	376	—	—	—	376
Issuance of stock related to RFG Contingent consideration and non-cash compensation	999	1	28,973	—	—	—	28,974
Restricted stock issued	12	—	—	—	—	—	—
Retirement of stock purchased from Limoneira	(165)	—	(4,788)	—	—	—	(4,788)
Unrealized loss on Limoneira investment, net	—	—	—	4,024	—	—	4,024
Dividend declared to shareholders	—	—	—	—	(11,038)	—	(11,038)
FreshRealm noncontrolling interest contribution	—	—	—	—	—	362	362
Net loss attributable to FreshRealm	—	—	—	—	—	(542)	(542)
Net income attributable to Calavo Growers, Inc	—	—	—	—	(1,795)	—	(1,795)
Balance, October 31, 2013	15,720	15	70,790	13,414	35,054	(180)	119,093
Exercise of stock options and income tax benefit of $191	8	—	318	—	—	—	318
Stock compensation expense	—	—	727	—	—	—	727
Restricted stock issued	35	—	—	—	—	—	—
Issuance of stock related to RFG Contingent consideration and non-cash compensation	1,532	2	67,288	—	—	—	67,290
Unrealized gain on Limoneira investment, net	—	—	—	(701)	—	—	(701)
Dividend declared to shareholders	—	—	—	—	(12,971)	—	(12,971)
FreshRealm noncontrolling interest contribution	—	—	5,373	—	—	4,627	10,000
Deconsolidation of FreshRealm	—	—	—	—	—	(4,030)	(4,030)
Net loss attributable to FreshRealm	—	—	—	—	—	(417)	(417)
Net loss attributable to Calavo Growers, Inc.	—	—	—	—	97	—	97
Balance, October 31, 2014	17,295	17	144,496	12,713	22,180	—	179,406
Exercise of stock options and income tax benefit of $111	13	—	360	—	—	—	360
Stock compensation expense	—	—	2,108	—	—	—	2,108
Restricted stock issued	76	—	99	—	—	—	99
Unrealized loss on Limoneira investment, net	—	—	—	(10,294)	—	—	(10,294)
Dividend declared to shareholders	—	—	—	—	(13,907)	—	(13,907)
Avocados de Jalisco noncontrolling interest contribution	—	—	—	—	—	1,011	1,011
Net income attributable to Calavo Growers, Inc.	—	—	—	—	27,199	—	27,199
Balance, October 31, 2015	17,384	$ 17	$ 147,063	$ 2,419	$ 35,472	$ 1,011	$ 185,982

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

YEAR ENDED OCTOBER 31,	2015	2014	2013
(in thousands)			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 27,199	$ (215)	$ (2,684)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	8,038	6,926	6,367
Provision for losses on accounts receivable	75	154	1
Loss from unconsolidated entities	109	15	100
Interest on contingent consideration	—	37	146
Contingent consideration and non-cash compensation expense related to the acquisition of RFG	—	53,611	33,811
Contingent consideration related to acquisition of Salsa Lisa	15	(491)	(230)
Stock compensation expense	2,108	727	376
Gain on deconsolidation of FreshRealm	—	(12,622)	—
Loss on disposal of property, plant, and equipment	147	115	30
Intangible assets impairment on Calavo Salsa Lisa	—	—	615
Deferred income taxes	3,183	(15,076)	(12,121)
Effect on cash of changes in operating assets and liabilities:			
Accounts receivable	(2,063)	(1,712)	(16,191)
Inventories, net	4,713	(2,302)	(5,725)
Prepaid expenses and other current assets	(1,780)	(5,614)	(3,567)
Advances to suppliers	438	(45)	(844)
Income taxes receivable	(3,465)	(648)	781
Other assets	441	48	135
Payable to growers	(1,889)	(6,985)	7,705
Trade accounts payable and accrued expenses	14	8,624	5,007
Net cash provided by operating activities	37,283	24,547	13,712
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisitions of property, plant, and equipment	(18,099)	(11,613)	(6,746)
Investment in unconsolidated entities	—	(125)	—
Proceeds received for repayment of San Rafael note	386	—	—
Proceeds from liquidation of Calavo Chile	262	—	—
Decrease in cash due to deconsolidation of FreshRealm	—	(6,813)	—
Investment in FreshRealm	(800)	—	—
Infrastructure advance to Agricola Belher	(1,000)	—	—
Loan to Agricola Don Memo	(803)	(3,202)	—
Investment in Agricola Don Memo	(1,000)	—	(1,000)
Net cash used in investing activities	(21,054)	(21,753)	(7,746)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payment of dividend to shareholders	(12,971)	(11,005)	(9,646)
Proceeds from revolving credit facility	255,350	242,340	200,670
Payments on revolving credit facility	(254,340)	(240,430)	(186,850)
Payments on long-term obligations	(5,098)	(5,160)	(5,405)
Retirement of stock purchased from Limoneira	—	—	(4,788)
Proceeds from stock option exercises	249	127	751
Proceeds from issuance of FreshRealm stock	—	10,000	79
Proceeds from issuance of noncontrolling interest stock	817	—	—
Tax benefit of stock option exercises	191	59	139
Net cash used in financing activities	(15,802)	(4,069)	(5,050)
Net increase (decrease) in cash and cash equivalents	427	(1,275)	916
Cash and cash equivalents, beginning of period	6,744	8,019	7,103
Cash and cash equivalents, end of period	$ 7,171	$ 6,744	$ 8,019
SUPPLEMENTAL INFORMATION:			
Cash paid during the year for:			
Interest	$ 843	$ 986	$ 1,087
Income taxes	$ 15,495	$ 11,355	$ 5,532
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Issuance of stock related to RFG contingent consideration	$ —	$ 66,988	$ 28,973
Declared dividends payable	$ 13,907	$ 12,971	$ 11,004
Construction in progress included in trade accounts payable and accrued expenses	$ 529	$ —	$ —
Noncash assets received for issuance of noncontrolling interest	$ 194	$ —	$ —
Collection for Agricola Belher Infrastructure Advance	$ 845	$ 845	$ 1,690
Unrealized holding losses	$ (16,940)	$ (1,175)	$ 6,690

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. DESCRIPTION OF THE BUSINESS

BUSINESS

Calavo Growers, Inc. (Calavo, the Company, we, us or our), is a global leader in the avocado industry and an expanding 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 food distributors, produce wholesalers, supermarkets, and restaurants on a worldwide basis. We procure avocados principally from California, Mexico and Peru. Through our various operating facilities, we (i) sort, pack, and/or ripen avocados, tomatoes and/or Hawaiian grown papayas, (ii) process and package fresh cut fruit and vegetables, salads, wraps, sandwiches, fresh snacking products and a variety of behind-the-glass deli items and (iii) produce and package guacamole and salsa. We distribute our products both domestically and internationally and report our operations in three different business segments: Fresh products, Calavo Foods and Renaissance Food Group, LLC (RFG).

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States.

Our consolidated financial statements include the accounts of Calavo Growers, Inc. and our wholly owned subsidiaries, Calavo de Mexico S.A. de C.V., Calavo Foods de Mexico S.A. de C.V., Maui Fresh International, Inc. (Maui), Hawaiian Sweet, Inc. (HS), Hawaiian Pride, LLC (HP), Avocados de Jalisco, and RFG. We consolidate our entity Calavo Salsa Lisa, LLC (CSL), in which we have a 65 percent ownership interest. All intercompany accounts and transactions have been eliminated in consolidation.

CASH AND CASH EQUIVALENTS

We consider all highly liquid financial instruments purchased with an original maturity date of three months or less to be cash equivalents. The carrying amounts of cash and cash equivalents approximate their fair values.

PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist primarily of non-trade receivables, infrastructure advances and prepaid expenses. Non-trade receivables were $12.3 million and $17.0 million at October 31, 2015 and 2014. Included in non-trade receivables are $6.0 million and $11.9 million related to Mexican IVA (i.e. value-added) taxes. In addition, included in non-trade receivables are $4.0 million and $3.2 million related to the bridge loan to the newly created joint venture Agricola Don Memo. See Note 16 for additional information. Infrastructure advances are discussed below. Prepaid expenses totaling $2.3 million and $1.7 million at October 31, 2015 and 2014, are primarily for insurance, rent and other items.

INVENTORIES

Inventories are stated at the lower of cost or market. Cost is computed on a monthly weighted-average basis, which approximates the first-in, first-out method; market is based upon estimated replacement costs. Costs included in inventory primarily include the following: fruit, picking and hauling, overhead, labor, materials and freight.

PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment are stated at cost and depreciated over their estimated useful lives using the straight-line method. Leasehold improvements are stated at cost and amortized over the lesser of their estimated useful lives or the term of the lease, using the straight-line method. Useful lives are as follows: buildings and improvements - 7 to 50 years; leasehold improvements - the lesser of the term of the lease or 7 years; equipment - 7 to 25 years; information systems hardware and software – 3 to 15 years. Significant repairs and maintenance that increase the value or extend the useful life of our fixed asset are capitalized. Replaced fixed assets are written off. Ordinary maintenance and repairs are charged to expense.

We capitalize software development costs for internal use beginning in the application development stage and ending when the asset is placed into service. Costs capitalized include coding and testing activities and various implementation costs. These costs are limited to (1) external direct costs of materials and services consumed in developing or obtaining internal-use computer software; (2) payroll and payroll-related costs for employees who are directly associated with and who devote time to the internal-use computer software project to the extent of the time spent directly on the project; and (3) interest cost incurred while developing internal-use computer software. See Note 4 for further information.

GOODWILL AND ACQUIRED INTANGIBLE ASSETS

Goodwill is tested for impairment on an annual basis and between annual tests whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill is tested at the reporting unit level, which is defined as an operating segment or one level below the operating segment. Goodwill impairment testing is a two-step process. The first step of the goodwill impairment test, used to identify potential impairment, compares the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired, and the second step of the impairment test would be unnecessary. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test must be performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test, used to measure the amount of impairment loss, compares the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss must be recognized in an amount equal to that excess. Goodwill impairment testing requires significant judgment and management estimates, including, but not limited to, the determination of (i) the number of reporting units, (ii) the goodwill and other assets and liabilities to be allocated to the reporting units and (iii) the fair values of the reporting units. The estimates and assumptions described above, along with other factors such as discount rates, will significantly affect the outcome of the impairment tests and the amounts of any resulting impairment losses. For fiscal years 2015 and 2014, we performed our annual assessment of goodwill and noted no impairments as of October 31, 2015 and 2014.

LONG-LIVED ASSETS

Long-lived assets, including fixed assets and intangible assets (other than goodwill), are continually monitored and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of any such asset may not be recoverable. The determination of recoverability is based on an estimate of undiscounted cash flows expected to result from the use of an asset and its eventual disposition. The estimate of undiscounted cash flows is based upon, among other things, certain assumptions about future operating performance, growth rates and other factors. Estimates of undiscounted cash flows may differ from actual cash flows due to, among other things, technological changes, economic conditions, changes to the business model or changes in operating performance. If the sum of the undiscounted cash flows (excluding interest) is less than the carrying value, an impairment loss will be recognized, measured as the amount by which the carrying value exceeds the fair value of the asset. For fiscal year 2015 and 2014, we performed our annual assessment of long-lived assets and determined that no impairment existed as of October 31, 2015 and 2014.

INVESTMENTS

We account for non-marketable investments using the equity method of accounting if the investment gives us the ability to exercise significant influence over, but not control, an investee. Significant influence generally exists when we have an ownership interest representing between 20% and 50% of the voting stock of the investee. Under the equity method of accounting, investments are stated at initial cost and are adjusted for subsequent additional investments and our proportionate share of earnings or losses and distributions.

In June 2009, we (through our wholly owned subsidiary: Calavo Inversiones (Chile) Limitada) entered into a joint venture agreement with Exportadora M5, S.A. (M5) for the purpose of selling and distributing Chilean sourced avocados. Such joint venture operates under the name of Calavo Chile and commenced operations in July 2009. M5 and Calavo each have an equal one-half ownership interest in Calavo Chile, but M5 has overall management responsibility for the operations of Calavo Chile. In fiscal year 2015, we have liquidated Calavo Chile. Upon liquidation we have incurred losses of $0.1 million, which is included in other income (expense).

In December 2014, Calavo formed a wholly owned subsidiary Calavo Growers De Mexico, S. de R.L. de C.V. (Calavo Sub). In July 2015, Calavo Sub entered into a Shareholder Agreement with Grupo Belo del Pacifico, S.A. de C.V., (Belo) a Mexican Company owned by Agricola Belher, and Agricola Don Memo, S.A. de C.V. (Don Memo). Don Memo, a Mexican corporation formed in July 2013, is engaged in the business of owning and improving land in Jalisco, Mexico for the growing of tomatoes and other produce and the sale and distribution of tomatoes and other produce. Belo and Calavo Sub have an equal one-half ownership interest in Don Memo in exchange for $2 million each. Pursuant to a management service agreement, Belo, through its officers and employees, shall have day-to-day power and authority to manage the operations. We have loaned $4.0 million to Don Memo since its formation. We have recorded such loans in prepaids and other current assets. These monies, intended as a bridge loan, are expected to be replaced with a loan from an institutional lender during our first fiscal quarter of 2016 and this bridge loan will be immediately repaid from the proceeds of the new loan. Additionally, $2.0 million, representing Calavo Sub's 50% ownership in Don Memo, is included in investment in unconsolidated entities on our balance sheet. We use the equity method to account for this investment.

Effective May 2014, we closed our Second Amended and Restated Limited Liability Company Agreement by and among FreshRealm and the ownership members of FreshRealm. Pursuant to this agreement, Impermanence, LLC (Impermanence) was admitted as an ownership member of FreshRealm. Impermanence contributed $10.0 million to FreshRealm for 28.6% ownership. We agreed to dilute our ownership percentage in FreshRealm, as an injection of significant working capital would reduce the immediate need of Calavo to provide operating funds to FreshRealm and would also serve to preserve the value of our investment. As a result of the admission of Impermanence, Calavo's ownership was reduced from 71.1% to 50.8%. Even though Calavo controlled greater than 50% of the outstanding units of FreshRealm, the minority/non-Calavo unit-holders held substantive participating rights. These rights existed primarily in two forms: (1) two out of a total of four board of director seats and (2) a provision in the Agreement that states that for situations for which the approval of the Members, as defined, is required by the Agreement, the Members shall act by Super-Majority Vote. As such, Calavo cannot control FreshRealm through its two board of director seats, nor its 50.8% ownership. Based on the foregoing, we deconsolidated FreshRealm in May 2014.

We estimated the fair value of our noncontrolling interest in FreshRealm by performing a forecast projection analysis. This analysis was conducted with the consultation from a third party consulting firm. Our investment of $17.8 million in FreshRealm million has been recorded as investment in unconsolidated subsidiaries on our balance sheet. In the third and fourth quarter of fiscal 2015, FreshRealm issued additional units to various parties, which reduced our ownership percentage to approximately 49%.

MARKETABLE SECURITIES

Our marketable securities consist of our investment in Limoneira Company (Limoneira) stock. We currently own approximately 12% of Limoneira's outstanding common stock. These securities are considered available for sale securities based on management's intent with respect to such securities and are carried at fair value as determined from quoted market prices. The estimated fair value, cost, and gross unrealized gain related to such investment was $27.4 million, $23.5 million and $4.0 million as of October 31, 2015. The estimated fair value, cost, and gross unrealized gain related to such investment was $44.4 million, $23.5 million and $20.9 million as of October 31, 2014.

ADVANCES TO SUPPLIERS

We advance funds to third-party growers primarily in Mexico for various farming needs. Typically, we obtain collateral (i.e. fruit, fixed assets, etc.) that approximates the value at risk, prior to making such advances. We continuously evaluate the ability of these growers to repay advances in order to evaluate the possible need to record an allowance. No such allowance was required at October 31, 2015, nor October 31, 2014.

Pursuant to our distribution agreement, which was amended in fiscal 2011, with Agricola Belher (Belher) of Mexico, a producer of fresh vegetables, primarily tomatoes, for export to the U.S. market, Belher agreed, at their sole cost and expense, to harvest, pack, export, ship, and deliver tomatoes exclusively to our company, primarily our Arizona facility. In exchange, we agreed to sell and distribute such tomatoes, make advances to Belher for operating purposes, provide additional advances as shipments are made during the season (subject to limitations, as defined), and return the proceeds from such tomato sales to Belher, net of our commission and aforementioned advances. Pursuant to such amended agreement with Belher, we advanced Belher a total of $3.0 million, up from $2.0 million in the original agreement, during fiscal 2011. Additionally, the amended agreement calls for us to continue to advance $3.0 million per annum for operating purposes through 2019. These advances will be collected through settlements by the end of each year. As of October 31, 2015 and 2014, we have total advances of $3.0 million to Belher pursuant to this agreement, which is recorded in advances to suppliers.

Similar to Belher, we make advances to Don Memo for operating purposes, provide additional advances as shipments are made during the season, and return the proceeds from such tomato sales to Don Memo, net of our commission and aforementioned advances. As of October 31, 2015, we have total advances of $1.8 million to Don Memo, which is recorded in advances to suppliers.

INFRASTRUCTURE ADVANCES

Pursuant to our infrastructure agreement, we make advances to be used solely for the acquisition, construction, and installation of improvements to and on certain land owned/controlled by Belher, as well as packing line equipment. Advances incur interest at 4.7% at October 31, 2015 and 2014. As of October 31, 2015, we have advanced a total of $1.8 million ($1.0 million included in prepaid expenses and other current assets and $0.8 million included in other long-term assets). As of October 31, 2014, we have advanced a total of $1.6 million ($0.8 million included in prepaid expenses and other current assets and $0.8 million included in other long-term assets). Belher is to annually repay these advances in no less than 20% increments through June 2020. Interest is to be paid monthly or annually, as defined. Belher may prepay, without penalty, all or any portion of the advances at any time. In order to secure their obligations pursuant to both agreements discussed above, Belher granted us a first-priority security interest in certain assets, including cash, inventory and fixed assets, as defined.

ACCRUED EXPENSES

Included in accrued expenses at October 31, 2015 and 2014 are liabilities related to the receipt of goods and/or services for which an invoice has not yet been received. These totaled approximately $6.2 million and $4.7 million. Additionally, included in accrued expenses at October 31, 2014 are liabilities related to contingent consideration and non-cash compensation related to the acquisition of RFG. These totaled approximately $15.6 million. See Note 3 in prior year's consolidated financial statements.

REVENUE RECOGNITION

Sales of products and related costs of products sold are recognized when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred, (iii) the price is fixed or determinable and (iv) collectability is reasonably assured. These terms are typically met upon shipment of product to the customer. Service revenue, including freight, ripening, storage, bagging and palletization charges, is recorded when services are performed and sales of the related products are delivered.

SHIPPING AND HANDLING

We include shipping and handling fees billed to customers in net revenues. Amounts incurred by us for freight are included in cost of goods sold.

PROMOTIONAL ALLOWANCES

We provide for promotional allowances at the time of sale, based on our historical experience. Our estimates are generally based on evaluating the historical relationship between promotional allowances and gross sales. The derived percentage is then applied to the current period's sales revenues in order to arrive at the appropriate debit to sales allowances for the period. The offsetting credit is made to accrued expenses. When certain amounts of specific customer accounts are subsequently identified as promotional, they are written off against this allowance. Actual amounts may differ from these estimates and such differences are recognized as an adjustment to net sales in the period they are identified.

ALLOWANCE FOR ACCOUNTS RECEIVABLE

We provide an allowance for estimated uncollectible accounts receivable balances based on historical experience and the aging of the related accounts receivable.

CONSIGNMENT ARRANGEMENTS

We frequently enter into consignment arrangements with avocado, pineapple and tomato growers and packers located outside of the United States and growers of certain perishable products in the United States. Although we generally do not take legal title to these avocados and perishable products, we do assume responsibilities (principally assuming credit risk, inventory loss and delivery risk, and pricing risk) that are consistent with acting as a principal in the transaction. Accordingly, the accompanying financial statements include sales and cost of sales from the sale of avocados and perishable products procured under consignment arrangements. Amounts recorded for each of the fiscal years ended October 31, 2015, 2014 and 2013 in the financial statements pursuant to consignment arrangements are as follows (in thousands):

	2015	2014	2013
Sales	$ 28,139	$ 30,721	$ 30,620
Cost of Sales	25,177	27,759	27,679
Gross Margin	$ 2,962	$ 2,962	$ 2,941

ADVERTISING EXPENSE

Advertising costs are expensed when incurred and are generally included as a component of selling, general and administrative expense. Such costs were approximately $0.2 million, $0.2 million, and $0.1 million for fiscal years 2015, 2014, and 2013.

RESEARCH AND DEVELOPMENT

Research and development costs are expensed as incurred and are generally included as a component of selling, general and administrative expense. FreshRealm, a development stage company, comprised the majority of our research and development costs in 2014 and 2013. Total research and development costs for fiscal years 2015 was less than $0.1 million. Total research and development costs for fiscal years 2014 and 2013, were approximately $0.8 million and $1.5 million.

OTHER INCOME, NET

Included in other income, net is dividend income totaling $0.5 million for fiscal year 2015 and 2014. Dividend income totaled $0.4 million for fiscal year 2013. See Note 9 for related party disclosure related to other income.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Among the significant estimates affecting the financial statements are those related to valuation allowances for accounts receivable, goodwill, grower advances, inventories, long-lived assets, valuation of and estimated useful lives of identifiable intangible assets, stock-based compensation, promotional allowances and income taxes. On an ongoing basis, management reviews its estimates based upon currently available information. Actual results could differ materially from those estimates.

INCOME TAXES

We account for deferred tax liabilities and assets for the future consequences of events that have been recognized in our consolidated financial statements or tax returns. Measurement of the deferred items is based on enacted tax laws. In the event the future consequences of differences between financial reporting bases and tax bases of our assets and liabilities result in a deferred tax asset, we perform an evaluation of the probability of being able to realize the future benefits indicated by such asset. A valuation allowance related to a deferred tax asset is recorded when it is more likely than not that some portion or all of the deferred tax asset will not be realized.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

As a multinational corporation, we are subject to taxation in many jurisdictions, and the calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in various taxing jurisdictions. If we ultimately determine that the payment of these liabilities will be unnecessary, the liability will be reversed and we will recognize a tax benefit during the period in which it is determined the liability no longer applies. Conversely, we record additional tax charges in a period in which it is determined that a recorded tax liability is less than the ultimate assessment is expected to be.

The application of tax laws and regulations is subject to legal and factual interpretation, judgment and uncertainty. Tax laws and regulations themselves are subject to change as a result of changes in fiscal policy, changes in legislation, the evolution of regulations and court rulings. Therefore, the actual liability for U.S. or foreign taxes may be materially different from management's estimates, which could result in the need to record additional tax liabilities or potentially reverse previously recorded tax liabilities.

BASIC AND DILUTED NET INCOME PER SHARE

Basic earnings per share is calculated using the weighted-average number of common shares outstanding during the period without consideration of the dilutive effect of stock options and contingent consideration. The basic weighted-average number of common shares outstanding was 17,295,000, 15,765,000, and 14,856,000 for fiscal years 2015, 2014, and 2013. Diluted earnings per common share is calculated using the weighted-average number of common shares outstanding during the period after consideration of the dilutive effect of stock options and the effect of contingent consideration shares, which were 68,000, and 1,455,000 for fiscal years 2015 and 2014. For fiscal year 2013, no dilutive shares were considered due to the impact of anti-dilution.

STOCK-BASED COMPENSATION

We account for awards of equity instruments issued to employees under the fair value method of accounting and recognize such amounts in their statements of operations. 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.

The value of each option award that contains a market condition is estimated using a lattice-based option valuation model, while all other option awards are valued using the Black-Scholes-Merton option valuation model. We primarily consider the following assumptions when using these models: (1) expected volatility, (2) expected dividends, (3) expected life and (4) risk-free interest rate. Such models also consider the intrinsic value in the estimation of fair value of the option award. Forfeitures are estimated when recognizing compensation expense, and the estimate of forfeitures will be adjusted over the requisite service period to the extent that actual forfeitures differ, or are expected to differ, from such estimates. Changes in estimated forfeitures will be recognized through a cumulative catch-up adjustment in the period of change and will also impact the amount of compensation expense to be recognized in future periods.

We measure the fair value of our stock option awards on the date of grant. No options were granted in fiscal years 2015 and 2014. The following assumptions were used in the estimated grant date fair value calculations for stock options issued in 2013:

	2013
Risk-free interest rate	0.70%
Expected volatility	44.30%
Dividend yield	2.60%
Expected life (years)	5.0

For the years ended October 31, 2015, 2014 and 2013, we recognized compensation expense of $2,108,000, $727,000, and $376,000 related to non-acquisition stock-based compensation.

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.

FOREIGN CURRENCY TRANSLATION AND REMEASUREMENT

Our foreign operations are subject to exchange rate fluctuations and foreign currency transaction costs. The functional currency of our foreign subsidiaries is the United States 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 are included in income. Gains and losses resulting from foreign currency transactions are also recognized currently in income. Total foreign currency losses for fiscal 2015, 2014 and 2013, net of gains, were $1.8 million, $0.1 million, and $0.4 million.

FAIR VALUE OF FINANCIAL INSTRUMENTS

We believe that the carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, and short-term borrowings approximates fair value based on either their short-term nature or on terms currently available to the Company in financial markets. Due to current market rates, we believe that our fixed-rate long-term obligations have the same fair value and carrying value of approximately $2.8 million as of October 31, 2015.

DERIVATIVE FINANCIAL INSTRUMENTS

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

CORRECTION OF AN IMMATERIAL ERROR TO PREVIOUSLY ISSUED FINANCIAL STATEMENTS

Subsequent to the issuance of the Company's October 31, 2014 consolidated financial statements, management determined that the bridge loan of $3.2 million to Agricola Don Memo during 2014, which had been previously presented as a cash outflow from operating activities within the change in prepaids and other assets, should have been presented as a cash outflow from investing activities in its consolidated statement of cash flows for the year ended October 31, 2014. As a result, the Company has corrected its accompanying 2014 consolidated statement of cash flows to properly reflect the bridge loan activity as cash outflows from investing activities. As a result, net cash provided by operating activities increased from $21.3 million, as previously reported, to $24.5 million and net cash used in investing activities increased from $18.6 million, as previously reported, to $21.8 million. Management has concluded the error is immaterial to the consolidated financial statements as of and for the year ended October 31, 2014.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

During November 2015, the FASB issued ASU 2015-17, "Balance Sheet Classification of Deferred Taxes", which simplifies the presentation of deferred income taxes. This ASU requires that deferred tax assets and liabilities be classified as non-current in a statement of financial position. We early adopted ASU 2015-17 effective October 31, 2015 on a prospective basis. Adoption of this ASU resulted in a reclassification of our net current deferred tax asset to the net non-current deferred tax asset in our Consolidated Balance Sheet as of October 31, 2015. No prior periods were retrospectively adjusted.

RECENTLY ISSUED ACCOUNTING STANDARDS

In April 2015, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") which changes the presentation of debt issuance costs in financial statements. Under the ASU, an entity presents such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs is reported as interest expense. The amendment in this ASU will be effective for us beginning the first day of our 2016 fiscal year. Early adoption is permitted. We do not expect the adoption of this amendment to have a material impact on our financial statements.

In February 2015, the FASB issued an ASU which amends certain requirements in ASC 810 for determining whether a variable interest entity must be consolidated. The amendment in this ASU will be effective for us beginning the first day of our 2016 fiscal year. Early adoption is permitted. We do not expect the adoption of this amendment to have a material impact on our financial statements.

In May 2014, the FASB amended the existing accounting standards for revenue recognition. The amendments are based on the principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. We are required to adopt the amendments in the first quarter of fiscal 2018. Early adoption is not permitted. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. We do not expect the adoption of this amendment to have a material impact on our financial statements.

In April 2014, the FASB issued guidance which changes the criteria for identifying a discontinued operation. The guidance limits the definition of a discontinued operation to the disposal of a component or group of components that is disposed of or is classified as held for sale and represents a strategic shift that has, or will have, a major effect on an entity's operations and financial results. We are required to adopt the guidance in the first quarter of fiscal 2016, with early adoption permitted for transactions that have not been reported in financial statements previously issued. We do not expect the adoption of this guidance to have a material impact on our financial statements.

COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) is defined as all changes in a company's net assets, except changes resulting from transactions with shareholders. For the fiscal year ended October 31, 2015, other comprehensive income includes the unrealized loss on our Limoneira investment totaling $10.3 million, net of income taxes. Limoneira's stock price at October 31, 2015 equaled $15.86 per share. For the fiscal year ended October 31, 2014, other comprehensive loss includes the unrealized loss on our Limoneira investment totaling $0.7 million, net of income taxes. Limoneira's stock price at October 31, 2014 equaled $25.66 per share. For the fiscal year ended October 31, 2013, other comprehensive income includes the unrealized gain on our Limoneira investment totaling $4.0 million, net of income taxes. Limoneira's stock price at October 31, 2013 equaled $26.34 per share.

NONCONTROLLING INTEREST

The following tables reconcile shareholders' equity attributable to noncontrolling interest related to the Salsa Lisa acquisition, and FreshRealm, LLC (in thousands).

SALSA LISA NONCONTROLLING INTEREST	YEAR ENDED OCTOBER 31, 2015	YEAR ENDED OCTOBER 31, 2014
Noncontrolling interest, beginning	$ 270	$ (57)
Net loss attributable to noncontrolling interest of Salsa Lisa	—	(152)
Other	15	479
Noncontrolling interest, ending	$ 285	$ 270

FRESHREALM NONCONTROLLING INTEREST	YEAR ENDED OCTOBER 31, 2015	YEAR ENDED OCTOBER 31, 2014
Noncontrolling interest, beginning	$ —	$ (180)
Noncontrolling interest contribution	—	4,627
Net loss attributable to noncontrolling interest of FreshRealm	—	(417)
Deconsolidation of FreshRealm	—	(4,030)
Noncontrolling interest, ending	$ —	$ —

In August 2015, we entered into Shareholder's Agreement with various partners which created Avocados de Jalisco, S.A.P.I. de C.V. (Avocados de Jalisco). Avocados de Jalisco is a Mexican corporation created to engage in procuring, packing and selling avocados in Jalisco Mexico. This entity is 80% owned by Calavo and was consolidated as of October 31, 2015. Avocados de Jalisco is currently building a packinghouse located in Jalisco, Mexico and such packinghouse is expected to be operational in the second quarter of 2016. The portion of the entity owned by others has been reflected as a noncontrolling interest and amounts to $1.0 million as of October 31, 2015.

3. INVENTORIES

Inventories consist of the following (in thousands):

OCTOBER 31,	2015	2014
Fresh fruit	$ 11,939	$ 15,640
Packing supplies and ingredients	6,347	6,324
Finished prepared foods	8,065	9,011
	$ 26,351	$ 30,975

We assess the recoverability of inventories through an ongoing review of inventory levels in relation to sales and forecasts and product marketing plans. When the inventory on hand, at the time of the review, exceeds the foreseeable demand, the value of inventory that is not expected to be sold is written down. The amount of the write-down is the excess of historical cost over estimated realizable value (generally zero). Once established, these write-downs are considered permanent adjustments to the cost basis of the excess inventory.

The assessment of the recoverability of inventories and the amounts of any write-downs are based on currently available information and assumptions about future demand and market conditions. Demand for processed avocado products may fluctuate significantly over time, and actual demand and market conditions may be more or less favorable than our projections. In the event that actual demand is lower than originally projected, additional inventory write-downs may be required.

We did not record any lower of cost or market adjustments during fiscal years 2015 and 2014.

4. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consist of the following (in thousands):

OCTOBER 31,	2015	2014
Land	$ 7,023	$ 7,023
Buildings and improvements	22,497	21,713
Leasehold improvements	4,810	4,435
Equipment	59,391	55,467
Information systems – hardware and software	7,839	7,564
Construction in progress	12,305	1,057
	113,865	97,259
Less accumulated depreciation and amortization	(44,417)	(39,907)
	$ 69,448	$ 57,352

Depreciation expense was $6.4 million, $5.3 million and $4.6 million for fiscal years 2015, 2014, and 2013, of which $0.5 million was related to depreciation on capital leases for fiscal year 2015, 2014, and 2013.

Property, plant, and equipment include various capital leases which total $3.3 million and $3.4 million, less accumulated depreciation of $2.1 million and $1.7 million as of October 31, 2015 and 2014.

The increase in construction in progress from $1.1 million as of October 31, 2014, to $12.3 million as of October 31, 2015, is due to the construction of our new processing facility in Jacksonville, Florida, and the construction of a packinghouse in Jalisco, Mexico.

We capitalize software development costs for internal use beginning in the application development stage and ending when the asset is placed into service. We amortize such costs using the straight-line basis over estimated useful lives.

5. OTHER ASSETS

Other assets consist of the following (in thousands):

OCTOBER 31,	2015	2014
Intangibles, net	$ 4,613	$ 5,925
Mexican IVA (i.e. value-added) taxes receivable	5,853	—
Grower advances	346	642
Loan to Agricola Belher	800	845
Loan to FreshRealm members	307	296
Notes receivable from San Rafael	1,286	1,343
Other	796	733
	$ 14,001	$ 9,784

The intangible assets consist of the following (in thousands):

		October 31, 2015			October 31, 2014		
	Weighted-Average Useful Life	Gross Carrying Value	Accum. Amortization	Net Book Value	Gross Carrying Value	Accum. Amortization	Net Book Value
Customer list/relationships	8.0 years	$ 7,640	$ (4,282)	$ 3,358	$ 7,640	$ (3,323)	$ 4,317
Trade names	8.1 years	2,760	(2,164)	596	2,760	(1,900)	860
Trade secrets/recipes	9.3 years	630	(270)	360	630	(220)	410
Brand name intangibles	indefinite	275	—	275	275	—	275
Non-competition agreements	5.0 years	267	(243)	24	267	(204)	63
Intangibles, net		$ 11,572	$ (6,959)	$ 4,613	$ 11,572	$ (5,647)	$ 5,925

We recorded amortization expense of approximately $1.6 million, $1.3 million, and $1.4 million for fiscal years 2015, 2014, and 2013. We anticipate recording amortization expense of approximately $1.2 million, $1.1 million, $1.1 million, $0.7 million, and $0.1 million for fiscal years 2016 through 2020. The remainder of approximately $0.1 million will be amortized over fiscal years 2020 through 2023.

6. REVOLVING CREDIT FACILITIES

Effective May 31, 2011, the Company and Farm Credit West, PCA (FCW), entered into a Term Revolving Credit Agreement (Revolving Agreement). Under the terms of the Revolving Agreement, we are advanced funds for working capital purposes, the purchase and installation of capital items, as well as other corporate needs of the Company. Total credit available under the borrowing agreement is $40 million, up from $30 million, and expires on February 1, 2016.

Effective September 30, 2011, the Company and Bank of America, N.A. (BoA), entered into an agreement, Amendment No. 4 to Loan Agreement (the Agreement), which amended our existing credit facility with BoA. Under the terms of the Agreement, we are advanced funds primarily for working capital purposes. Total credit available under the borrowing agreement is now $25 million, up from $15 million and now expires on February 1, 2016.

Under the terms of these agreements, we are advanced funds for both working capital and long-term productive asset purchases. Total credit available under these combined borrowing agreements was $65.0 million, with a weighted-average interest rate of 1.7% at October 31, 2015 and 2014. Under these credit facilities, we had $36.9 million and $35.9 million outstanding as October 31, 2015 and 2014. These credit facilities contain various financial covenants, the most significant relating to Tangible Net Worth (as defined), Current Ratio (as defined), and Fixed Charge Coverage Ratio (as defined). We were in compliance with all such covenants at October 31, 2015.

7. EMPLOYEE BENEFIT PLANS

We sponsor five defined contribution retirement plans for salaried and hourly employees. Expenses for these plans approximated $922,000, $943,000, and $807,000 for fiscal years 2015, 2014 and 2013, which are included in selling, general and administrative expenses in the accompanying financial statements.

We also sponsor a non-qualified defined benefit plan for two retired executives. Pension expenses, including actuarial losses, approximated $10,000, $9,000 and $12,000 for the year ended October 31, 2015, 2014, and 2013. These amounts are included in selling, general and administrative expenses in the accompanying financial statements.

Components of the change in projected benefit obligation for fiscal year ends consist of the following (in thousands):

	2015	2014
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	$ 196	$ 218
Interest cost	7	9
Actuarial loss	48	4
Benefits paid	(36)	(35)
Projected benefit obligation at end of year (unfunded)	$ 215	$ 196

The following is a reconciliation of the unfunded status of the plans at fiscal year ends included in accrued expenses (in thousands):

	2015	2014
Projected benefit obligation	$ 215	$ 196
Unrecognized net (gain) loss	—	—
Recorded pension liabilities	$ 215	$ 196

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

	2015	2014
Discount rate on projected benefit obligation	4.3%	4.1%

8. COMMITMENTS AND CONTINGENCIES

COMMITMENTS AND GUARANTEES

We lease facilities and certain equipment under non-cancelable operating leases expiring at various dates through 2021. We are committed to make minimum cash payments under these agreements as of October 31, 2015, as follows (in thousands):

2016	$ 4,696
2017	4,655
2018	4,308
2019	3,823
2020	3,635
Thereafter	20,658
	$ 41,775

Total rent expense amounted to approximately $4.4 million, $3.8 million and $3.5 million for the years ended October 31, 2015, 2014, and 2013. Rent to Limoneira, for our corporate office, amounted to approximately $0.3 million for fiscal years 2015, 2014, and 2013. In fiscal 2014, we renewed our lease with Limoneira for our corporate facility through fiscal 2020 at an annual rental of $0.3 million per annum (subject to annual CPI increases, as defined).

In July 2015, we entered into a Lease Agreement with Green Cove, LLC to lease an operating facility in Jacksonville Florida. The facility is approximately 200,000 square feet and is expected to be a value-added distribution center for all operating segments. We took possession of the property in August 2015 and are in the process of making improvements to this facility. The lease began in November 2015 and is scheduled to terminate in October 2031.

In fiscal 2014, we renewed the lease of our distribution facility in Garland Texas through fiscal 2029 at an annual rental of $0.8 million per annum (subject to annual CPI increases, as defined).

In fiscal 2014, we had two lease renewals for our RFG facilities in California, one being the corporate office of RFG in Rancho Cordova, and the other being a fresh processing facility in Sacramento. The RFG corporate office in Rancho Cordova has an operating lease through June 2018. Total rent for fiscal 2015, 2014, and 2013 was approximately $0.4 million. The processing facility in Sacramento has an operating lease through May 2021(subject to annual CPI increases, as defined). Total rent for fiscal 2015, 2014, and 2013 was approximately $0.5 million.

We indemnify our directors and have the power to indemnify each of our officers, employees and other agents, to the maximum extent permitted by applicable law. The maximum amount of potential future payments under such indemnifications is not determinable. No amounts have been accrued in the accompanying financial statements related to these indemnifications.

LITIGATION

From time to time, we are also 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.

In January 2015, various class action lawsuits, which have been consolidated into a single lawsuit during our second fiscal quarter, were initiated against the company related to the restatement of previously-issued financial statements. In the third quarter of fiscal 2015, the plaintiffs filed an amended complaint, to which we filed a motion to dismiss (MTD). In the fourth quarter of fiscal 2015, the plaintiffs filed an opposition to this MTD, to which we subsequently filed a reply to said opposition. Ultimately, in our fourth fiscal quarter, our MTD was granted, but with leave to amend. During our first quarter of fiscal 2016, the plaintiffs filed an amended complaint, to which we filed another MTD. The next hearing before the judge is expected during the second quarter of fiscal 2016. We intend to vigorously defend ourselves against this lawsuit and we do not expect that such legal claims and litigation will ultimately have a material adverse effect on our consolidated financial position or results of operations.

9. RELATED-PARTY TRANSACTIONS

Certain members of our Board of Directors market avocados through Calavo pursuant to marketing agreements substantially similar to the marketing agreements that we enter into with other growers. During the years ended October 31, 2015, 2014, and 2013, the aggregate amount of avocados procured from entities owned or controlled by members of our Board of Directors was $16.4 million, $10.5 million and $20.9 million. We did not have any amounts due to Board members as of October 31, 2015.Accounts payable to these Board members was $0.1 million as of October 31, 2014.

During fiscal years 2015, 2014, and 2013, we received $0.3 million as dividend income from Limoneira. In addition, we lease office space from Limoneira four our corporate office. Rent to Limoneira amounted to approximately $0.3 million for fiscal years 2015, 2014, and 2013. Harold Edwards, who is a member of our Board of Directors, is the Chief Executive Officer of Limoneira Company.

During the 3rd and 4th quarters of fiscal 2015, in conjunction with another round of financing for FreshRealm, LLC (FreshRealm), we invested $0.8 million. Additionally, two officers of Calavo contributed $1.8 million, in exchange for a 2.8% ownership interest, and three board of director members contributed $0.3 million in exchange for 0.44% ownership interest. RFG is a supplier for FreshRealm. Based on the total number of shares issued, our ownership interest in FreshRealm decreased from approximately 50% to approximately 49%. In fiscal 2015 and 2014, we had sales of $0.5 million and $0.2 million to FreshRealm.

In December 2014, Calavo formed a wholly owned subsidiary Calavo Growers De Mexico, S. de R.L. de C.V. (Calavo Sub). In July 2015, Calavo Sub entered into a Shareholder Agreement with Grupo Belo del Pacifico, S.A. de C.V., (Belo) a Mexican Company owned by Agricola Belher, and Agricola Don Memo, S.A. de C.V. (Don Memo). Belo and Calavo Sub have an equal one-half ownership interest in Don Memo in exchange for $2 million each. Pursuant to a management service agreement, Belo, through its officers and employees, has day-to-day power and authority to manage the operations. Belo is entitled to a management fee equal to 20% of the earnings before interest and taxes (EBIT), as defined, which is payable annually in July of each year. Additionally, Calavo Sub is entitled to a 12% commission, calculated in U.S. dollars, for the sale of produce in the Mexican National Market, United States, Canada, and any other overseas market.

We have loaned $4.0 million to Don Memo since its formation. We have recorded such loans in prepaids and other current assets. These monies, effectively a bridge loan, are expected to be replaced with a loan from an institutional lender during our first fiscal quarter of 2016 and this bridge loan will be immediately repaid from the proceeds of the new loan. Additionally, $2.0 million, representing Calavo Sub's 50% ownership in Don Memo, is included in 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 such tomato sales to Don Memo, net of our commission and aforementioned advances. As of October 31, 2015, we have total advances of $1.8 million to Don Memo, which is recorded in advances to suppliers. During the year ended October 31, 2015, we purchased $2.3 million of tomatoes from Don Memo.

We had grower advances due from Belher of $3.0 million as of October 31, 2015 and 2014. In addition, we had infrastructure advances due from Belher of $1.8 million and $1.6 million as of October 31, 2015 and 2014. Of these infrastructure advances $1.0 million was recorded as receivable in prepaid and other current assets. The remaining $0.8 million of these infrastructure advances are recorded in other assets. During the year ended October 31, 2015 and 2014, we purchased $14.2 million and $17.4 million of tomatoes from Belher.

In August 2015, we entered into Shareholder's Agreement with various partners which created Avocados de Jalisco, S.A.P.I. de C.V. ("Avocados de Jalisco"). Avocados de Jalisco is a Mexican corporation created to engage in procuring, packing and selling avocados in Jalisco Mexico. This entity is 80% owned by Calavo and was consolidated as of October 31, 2015. Avocados de Jalisco is currently building a packinghouse located in Jalisco, Mexico and such packinghouse is expected to be operational in the second quarter of 2016. As of October 31, 2015, we have made preseason advances of approximately $0.3 million to various partners of Avocados de Jalisco.

The three previous owners and current executives of RFG have a majority ownership of certain entities that provide various services to RFG. RFG's California operating facility leases a building from LIG partners, LLC (LIG) pursuant to an operating lease. RFG's Texas operating facility leases a building from THNC, LLC (THNC) pursuant to an operating lease. Additionally, RFG sells cut produce and purchases raw materials, obtains transportation services, and shares costs for certain utilities with Third Coast Fresh Distribution (Third Coast). LIG, THNC and Third Coast are majority owned by entities owned by three employees of Calavo (former/current executives of RFG). See the following tables for the related party activity and balances for fiscal year 2015 and 2014:

YEAR ENDED OCTOBER 31, (in thousands)	2015	2014
Rent paid to LIG	$ 522	$ 518
Rent paid to THNC, LLC	$ 304	$ 304
Sales to Third Coast	$ 270	$ 1,013
Purchases from Third Coast	$ 195	$ 357

OCTOBER 31, (in thousands)	2015	2014
Due to Third Coast	$ —	$ 17
Due from Third Coast	$ —	$ 407

10. INCOME TAXES

The income tax provision (benefit) consists of the following for the years ended October 31, (in thousands):

	2015	2014	2013
CURRENT:			
Federal	$ 10,150	$ 7,379	$ 5,587
State	1,650	939	1,261
Foreign	1,110	842	549
Total current	12,910	9,160	7,397
DEFERRED:			
Federal	3,314	(10,392)	(9,536)
State	98	(2,870)	(2,548)
Foreign	(229)	186	(28)
Total deferred	3,183	(13,076)	(12,112)
Total income tax provision	$ 16,093	$ (3,916)	$ (4,715)

At October 31, 2015 and 2014, gross deferred tax assets totaled approximately $36.1 million and $39.7 million, while gross deferred tax liabilities totaled approximately $17.0 million and $24.1 million. Deferred income taxes reflect the net of temporary differences between the carrying amount of assets and liabilities for financial reporting and income tax purposes.

During November 2015, the FASB issued ASU 2015-17, "Balance Sheet Classification of Deferred Taxes", which simplifies the presentation of deferred income taxes. This ASU requires that deferred tax assets and liabilities be classified as non-current in a statement of financial position. We early adopted ASU 2015-17 effective October 31, 2015 on a prospective basis. Adoption of this ASU resulted in a reclassification of our net current deferred tax asset to the net non-current deferred tax asset in our Consolidated Balance Sheet as of October 31, 2015. No prior periods were retrospectively adjusted.

Significant components of our deferred taxes assets (liabilities) as of October 31, are as follows (in thousands):

	2015	2014
Allowances for accounts receivable	$ —	$ 1,312
Inventories	—	478
State taxes	—	202
Credits and incentives	—	300
Accrued liabilities	—	1,002
Current deferred income taxes	$ —	$ 3,294
Property, plant, and equipment	(6,877)	(6,373)
Intangible assets	31,432	34,697
Unrealized gain, Limoneira investment	(1,553)	(8,199)
Investment in FreshRealm	(7,024)	(7,594)
Stock-based compensation	556	355
State taxes	(1,358)	(1,690)
Credits and incentives	2,044	1,287
Allowance for accounts receivable	662	—
Inventories	495	—
Accrued liabilities	885	—
Other	(219)	(196)
Long-term deferred income taxes	$ 19,043	$ 12,287

A reconciliation of the significant differences between the federal statutory income tax rate and the effective income tax rate on pretax income for the years ended October 31, is as follows:

	2015	2014	2013
Federal statutory tax rate	35.0%	35.0%	35.0%
State taxes, net of federal effects	3.0	22.3	11.8
Foreign income taxes greater (less) than U.S.	0.7	5.8	6.1
Section 199 deduction	(0.8)	15.8	8.2
Tax Credits	—	15.2	(0.9)
Other	(0.7)	0.7	3.5
	37.2%	94.8%	63.7%

We intend to reinvest our accumulated foreign earnings, which approximated $14.2 million at October 31, 2015, indefinitely. As a result, we have not provided any deferred income taxes on such unremitted earnings.

For fiscal years 2015, 2014 and 2013, income (loss) before income taxes related to domestic operations was approximately $41.5 million, $(0.6) million, and $(10.6) million. For fiscal years 2015, 2014 and 2013, income before income taxes related to foreign operations was approximately $1.8 million, $3.6 million and $2.9 million.

As of October 31, 2015 and 2014, we did not have a liability for unrecognized tax benefits related to various federal and state income tax matters. The tax effected amount would reduce our effective income tax rate if recognized.

In fiscal 2014, the benefit for income taxes of $3.9 million is attributable to the revaluation adjustment of $88.1 million related to contingent consideration which was spread between fiscal year 2014 through fiscal year 2011. The revalued contingent consideration and non-cash compensation expense resulted in $53.6 million, and $32.0 million additional GAAP expense recorded in fiscal years 2014 and 2013, respectively. In fiscal 2014, the revaluation expense drove pre-tax book income into a loss position, thus causing a benefit for income taxes as this revaluation adjustment is capitalized and amortized as goodwill over the remaining useful life for income tax purposes resulting in a taxable income position for the current year.

We are subject to U.S. federal income tax as well as income of multiple state tax jurisdictions. We are no longer subject to U.S. income tax examinations for the fiscal years prior to October 31, 2012, and are no longer subject to state income tax examinations for fiscal years prior to October 31, 2011.

11. SEGMENT INFORMATION

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

The following table sets forth sales by product category, by segment (in thousands):

	FRESH PRODUCTS	CALAVO FOODS	RFG	TOTAL
(All amounts are presented in thousands)				
YEAR ENDED OCTOBER 31, 2015				
Net sales	$ 500,711	$ 62,156	$ 293,957	$ 856,824
Cost of sales	463,647	41,645	266,305	771,597
Gross margin	$ 37,064	$ 20,511	$ 27,652	$ 85,227
YEAR ENDED OCTOBER 31, 2014				
Net sales	$ 470,949	$ 59,279	$ 252,282	$ 782,510
Cost of sales	434,820	46,269	230,193	711,282
Gross margin	$ 36,129	$ 13,010	$ 22,089	$ 71,228
YEAR ENDED OCTOBER 31, 2013				
Net sales	$ 448,369	$ 51,614	$ 191,468	$ 691,451
Cost of sales	417,176	38,226	176,601	632,003
Gross margin	$ 31,193	$ 13,388	$ 14,867	$ 59,448

For fiscal year 2015, 2014 and 2013, inter-segment sales and cost of sales of $1.5 million, $2.2 million and $1.9 million between Fresh products and RFG were eliminated. For fiscal year 2015, 2014 and 2013, inter-segment sales and cost of sales of $1.9 million, $1.7 million and $0.8 million between Calavo Foods and RFG were eliminated.

The following table sets forth sales by product category, by segment (in thousands):

	YEAR ENDED OCTOBER 31, 2015				YEAR ENDED OCTOBER 31, 2014			
	FRESH PRODUCTS	CALAVO FOODS	RFG	TOTAL	FRESH PRODUCTS	CALAVO FOODS	RFG	TOTAL
THIRD-PARTY SALES:								
Avocados	$ 471,178	$ —	$ —	$ 471,178	$ 433,581	$ —	$ —	$ 433,581
Tomatoes	18,681	—	—	18,681	19,705	—	—	19,705
Papayas	9,485	—	—	9,485	12,619	—	—	12,619
Pineapples	2,397	—	—	2,397	5,086	—	—	5,086
Other fresh products	442	—	—	442	1,037	—	—	1,037
Food service	—	49,212	—	49,212	—	48,085	—	48,085
Retail and club	—	22,736	296,697	319,433	—	22,334	255,074	277,408
Total gross sales	502,183	71,948	296,697	870,828	472,028	70,419	255,074	797,521
Less sales incentives	(1,472)	(9,792)	(2,740)	(14,004)	(1,079)	(11,140)	(2,792)	(15,011)
Net sales	$ 500,711	$ 62,156	$ 293,957	$ 856,824	$ 470,949	$ 59,279	$ 252,282	$ 782,510

	YEAR ENDED OCTOBER 31, 2014				YEAR ENDED OCTOBER 31, 2013			
	FRESH PRODUCTS	CALAVO FOODS	RFG	TOTAL	FRESH PRODUCTS	CALAVO FOODS	RFG	TOTAL
THIRD-PARTY SALES:								
Avocados	$ 433,581	$ —	$ —	$ 433,581	$ 407,678	$ —	$ —	$ 407,678
Tomatoes	19,705	—	—	19,705	22,623	—	—	22,623
Papayas	12,619	—	—	12,619	13,077	—	—	13,077
Pineapples	5,086	—	—	5,086	5,739	—	—	5,739
Other fresh products	1,037	—	—	1,037	601	—	—	601
Food service	—	48,085	—	48,085	—	43,616	—	43,616
Retail and club	—	22,334	255,074	277,408	—	18,789	195,376	214,165
Total gross sales	472,028	70,419	255,074	797,521	449,718	62,405	195,376	707,499
Less sales incentives	(1,079)	(11,140)	(2,792)	(15,011)	(1,349)	(10,791)	(3,908)	(16,048)
Net sales	$ 470,949	$ 59,279	$ 252,282	$ 782,510	$' 448,369	$ 51,614	$ 191,468	$ 691,451

Sales to customers outside the United States were approximately $26.7 million, $32.8 million and $37.2 million for fiscal years 2015, 2014, and 2013.

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

	UNITED STATES	MEXICO	CONSOLIDATED
2015	$ 37,573	$ 31,875	$ 69,448
2014	$ 36,052	$ 21,300	$ 57,352

12. LONG-TERM OBLIGATIONS

Long-term obligations at fiscal year ends consist of the following (in thousands):

	2015	2014
Farm Credit West, PCA, (FCW) term loan, bearing interest at 1.7 %	$ 1,002	$ 2,504
Bank of America, N.A. (BoA) term loan, bearing interest at 1.7 %	1,019	2,548
FCW, term loan, bearing interest at 5.7 %	—	1,300
Capital leases	771	1,538
	2,792	7,890
Less current portion	(2,206)	(5,099)
	$ 586	$ 2,791

The Company and FCW entered into a Term Loan Agreement (Term Agreement) in connection with the RFG acquisition, effective May 31, 2011. Under the terms of the Term Agreement, we were advanced $15 million for the purchase of RFG. Pursuant to this agreement, we are required to make 60 monthly principal and interest payments, from July 1, 2011 to June 1, 2016. There is no prepayment penalty associated with this Term Agreement.

This Term Agreement also replaces in its entirety the original Term Loan Agreement dated June 1, 2005 by and between the Company and FCW. There was no significant change in terms between the original Term Loan Agreement and this new agreement.

Effective September 30, 2011, the Company and Bank of America, N.A. (BoA), entered into an agreement, Amendment No. 4 to Loan Agreement (the Agreement), which amended our existing credit facility with BoA. This agreement included a variable rate term loan in the amount of approximately $7.1 million. These proceeds were used to retire approximately 50% of the outstanding balance (as of September 30, 2011) of the term loan owed to FCW related to the purchase of RFG (see above). This effectively split the funding of the amounts due at closing for that acquisition between both banks. The credit facility and term loan contain various financial covenants, the most significant relating to Tangible Net Worth (as defined), Fixed Charge Coverage Ratio (as defined) and Current Ratio (as defined).

At October 31, 2015, annual current and long-term obligation payments are scheduled as follows (in thousands):

YEAR ENDING OCTOBER 31:	TOTAL
2016	$ 2,206
2017	141
2018	94
2019	92
2020	92
Thereafter	167
	$ 2,792

At October 31, 2015, capital lease payments are scheduled as follows (in thousands):

YEAR ENDING OCTOBER 31:	TOTAL
2016	$ 216
2017	167
2018	128
2019	107
2020	116
Thereafter	116
Minimum lease payments	850
Less interest	(79)
Present value of future minimum lease payments	$ 771

13. STOCK-BASED COMPENSATION

THE 2005 STOCK INCENTIVE PLAN

The 2005 Stock Incentive Plan, was a stock-based compensation plan, under which employees and directors may be granted options to purchase shares of our common stock. In June 2012, this plan has been terminated without affecting the outstanding stock options related to this plan.

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

We measured compensation cost for all stock-based awards pursuant to this plan 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 measured the fair value of our stock based compensation awards on the date of grant.

A summary of stock option activity is as follows (in thousands, except for per share amounts):

	NUMBER OF SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	AGGREGATE INTRINSIC VALUE
Outstanding at October 31, 2012	35	$ 15.16	
Exercised	(8)	$ 12.84	
Outstanding at October 31, 2013	27	$ 15.79	
Exercised	(10)	$ 13.25	
Outstanding at October 31, 2014	17	$ 17.22	
Exercised	(7)	$ 15.81	
Outstanding at October 31, 2015	10	$ 18.28	$ 514
Exercisable at October 31, 2015	10	$ 18.28	$ 514

The weighted average remaining life of such outstanding options is 3.2 years and the total intrinsic value of options exercised during fiscal 2015 was $0.3 million. The weighted average remaining life of such exercisable options is 3.2 years. The fair value of shares vested during the year ended October 31, 2015, 2014, and 2013 was approximately $0.5 million, $0.8 million, and $0.6 million.

THE 2011 MANAGEMENT INCENTIVE PLAN

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. Up to 1,500,000 shares of common stock may be issued by Calavo under the 2011 Plan.

In January 2013, our Board of Directors approved the issuance of options to acquire a total of 10,000 shares of our common stock by one member of our Board of Directors. Such grant vests in equal increments over a five-year period and has an exercise price of $23.48 per share. Vested options have a term of five years from the vesting date. The market price of our common stock at the grant date was $23.48. The estimated fair market value of such option grant was approximately $0.1 million. The total compensation cost not yet recognized as of October 31, 2015 was less than $0.1 million, which will be recognized over the remaining service period of 60 months.

In January 2013, all 12 of our non-employee directors were granted 1,000 restricted shares each (total of 12,000 shares). These shares have full voting rights and participate in dividends as if unrestricted. The closing price of our stock on such date was $24.71. This grant of restricted stock incurred $0.2 million in stock compensation expenses in fiscal 2013. As of January 2014, all shares have vested, because such board members were still serving on the board at this time.

In January 2014, all 12 of our non-employee directors were each granted 1,750 restricted shares (total of 21,000 shares). These shares have full voting rights and participate in dividends as if unrestricted. The closing price of our stock on such date was $32.49. This grant of restricted stock incurred $0.2 million and $0.5 million in stock compensation expenses in fiscal 2015 and 2014, respectively. As of January 1, 2015, all shares have vested.

In January 2014, our executive officers were granted a total of 10,774 restricted shares. These shares have full voting rights and participate in dividends as if unrestricted. The closing price of our stock on such date was $30.50. These shares vest in one-third increments, on an annual basis, beginning January 1, 2015. This grant of restricted stock incurred $0.1 million in stock compensation expenses in fiscal 2015 and 2014.

In January 2015, all 12 of our non-employee directors were granted 1,750 restricted shares each (total of 21,000 shares). These shares have full voting rights and participate in dividends as if unrestricted. The closing price of our stock on such date was $40.39. On January 1, 2016, as long as the directors are still serving on the board, these shares lose their restriction and become non-forfeitable and transferable. The total recognized stock-based compensation expense for these grants was $0.7 million for fiscal 2015.

On February 6, 2015, our executive officers were granted a total of 55,394 restricted shares. These shares have full voting rights and participate in dividends as if unrestricted. The closing price of our stock on such date was $40.17. These shares vest in one-third increments, on an annual basis, beginning January 8, 2016. These shares were granted pursuant to our 2011 Management Incentive Plan. The total recognized stock-based compensation expense for these grants was $0.5 million for fiscal 2015. On June 15, 2015, our Chief Operating Officer/Chief Financial Officer retired from Calavo. His unvested portion of restricted stock of 12,322 shares issued in February of 2015 and January of 2014 was forfeited. As part of his retirement on June 1st 2015, he was granted 12,322 shares of unrestricted stock. The closing price of our stock on such date was $49.95. We recorded for this grant $0.6 million of stock-based compensation expense for fiscal 2015.

A summary of stock option activity, related to our 2011 Management Incentive Plan, is as follows (in thousands, except for per share amounts):

	NUMBER OF SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	AGGREGATE INTRINSIC VALUE
Outstanding at October 31, 2012	50	$ 21.82	
Granted	10	$ 23.48	
Exercised	(40)	$ 21.82	
Outstanding at October 31, 2013	20	$ 22.64	
Outstanding at October 31, 2014	20	$ 22.64	
Exercised	(6)	$ 21.80	
Outstanding at October 31, 2015	14	$ 23.00	$ 397
Exercisable at October 31, 2015	6	$ 22.92	$ 171

The weighted average remaining life of such outstanding options is 5.3 years. The weighted average remaining life of such exercisable options is 5.3 years. The fair value of shares vested during the year ended October 31, 2015, was $0.2 million.

14. DIVIDENDS

On December 8, 2015, we paid a $0.80 per share dividend in the aggregate amount of $13.9 million to shareholders of record on November 17, 2015. On December 8, 2014, we paid a $0.75 per share dividend in the aggregate amount of $13.0 million to shareholders of record on November 17, 2014.

15. FAIR VALUE MEASUREMENTS

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

The following table sets forth our financial assets and liabilities as of October 31, 2015 that are measured on a recurring basis during the period, segregated by level within the fair value hierarchy:

ASSETS AT FAIR VALUE:	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
(All amounts are presented in thousands)				
Investment in Limoneira Company[1]	$ 27,415	—	—	$ 27,415
Total assets at fair value	$ 27,415	$ —	$ —	$ 27,415

(1) The investment in Limoneira Company consists of marketable securities in the Limoneira Company stock. We currently own approximately 12% of Limoneira's outstanding common stock. These securities are measured at fair value by quoted market prices. Limoneira's stock price at October 31, 2015 and October 31, 2014 equaled $15.86 per share and $25.66 per share. Unrealized gains and losses are recognized through other comprehensive income. Unrealized investment holding losses arising during the year ended October 31, 2015 and 2014 was $16.9 million and $1.2 million. Unrealized investment holding gains arising during the year ended October 31, 2013 was $6.7 million.

The following is a reconciliation of the beginning and ending amounts of the contingent consideration for RFG:

	BALANCE AT OCTOBER 31, 2013	INTEREST	REVALUE ADJUSTMENT	SETTLED	BALANCE AT OCTOBER 31, 2014
(All amounts are presented in thousands)					
RFG contingent consideration	$ 15,602	—	$ 53,611	$ (69,213)	—
Total	$ 15,602	—	$ 53,611	$ (69,213)	—

16. AGRICOLA DON MEMO

In December 2014, Calavo formed a wholly owned subsidiary Calavo Growers De Mexico, S. de R.L. de C.V. (Calavo Sub). In July 2015, Calavo Sub entered into a Shareholder Agreement with Grupo Belo del Pacifico, S.A. de C.V., (Belo) a Mexican Company owned by Agricola Belher, and Agricola Don Memo, S.A. de C.V. (Don Memo). Don Memo, a Mexican corporation formed in July 2013, is engaged in the business of owning and improving land in Jalisco, Mexico for the growing of tomatoes and other produce and the sale and distribution of tomatoes and other produce. Belo and Calavo Sub will have an equal one-half ownership interest in Don Memo in exchange for $2 million each. Pursuant to a management service agreement, Belo, through its officers and employees, has day-to-day power and authority to manage the operations. Belo is entitled to a management fee equal to 20% of the earnings before interest and taxes (EBIT), as defined, which is payable annually in July of each year. Additionally, Calavo Sub is entitled to a 12% commission, calculated in U.S. dollars, for the sale of produce in the Mexican National Market, United States, Canada, and any other overseas market.

We have loaned $4.0 million to Don Memo since its formation. We have recorded such loans in prepaids and other current assets. These monies, intended as a bridge loan, are expected to be replaced with a loan from an institutional lender during our 1st fiscal quarter of 2016 and this bridge loan will be immediately repaid from the proceeds of the new loan. Additionally, $2.0 million, representing Calavo Sub's 50% ownership in Don Memo, is included in investment in unconsolidated entities on our balance sheet.

17. AVOCADOS DE JALISCO

In August 2015, we entered into Shareholder's Agreement with various partners which created Avocados de Jalisco, S.A.P.I. de C.V. (Avocados de Jalisco). Avocados de Jalisco is a Mexican corporation created to engage in procuring, packing and selling avocados in Jalisco Mexico. This entity is 80% owned by Calavo and was consolidated as of October 31, 2015. Avocados de Jalisco is currently building a packinghouse located in Jalisco, Mexico and such packinghouse is expected to be operational in the second quarter of 2016. The portion of the entity owned by others has been reflected as a noncontrolling interest and amounts to $1.0 million as of October 31, 2015.

Report of Independent Registered Public Accounting Firm

THE BOARD OF DIRECTORS AND SHAREHOLDERS OF CALAVO GROWERS, INC.

We have audited the accompanying consolidated balance sheet of Calavo Growers, Inc. as of October 31, 2014, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the two years in the period ended October 31, 2014. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Calavo Growers, Inc. at October 31, 2014, and the consolidated results of its operations and its cash flows for each of the two years in the period ended October 31, 2014, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

Ernst & Young LLP

Los Angeles, California
January 30, 2015

Report of Independent Registered Public Accounting Firm

THE BOARD OF DIRECTORS AND SHAREHOLDERS OF CALAVO GROWERS, INC.
SANTA PAULA, CALIFORNIA

We have audited the accompanying consolidated balance sheet of Calavo Growers, Inc. and subsidiaries (the Company) as of October 31, 2015, and the related consolidated statements of operations, comprehensive operations, shareholders' equity, and cash flows for the year ended October 31, 2015. Our audit also included the financial statement schedule listed in the index at Item 15 (a). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Calavo Growers, Inc. and subsidiaries at October 31, 2015, and the consolidated results of its operations and its cash flows for the year ended October 31, 2015, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Calavo Growers Inc.'s internal control over financial reporting as of October 31, 2015, based on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated December 30, 2015 expressed an unqualified opinion on the Company's internal control over financial reporting.

Deloitte & Touche LLP

Costa Mesa, California
December 30, 2015

Report of Management

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of the end of the period covered by this report based on the framework set forth in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework).

Based on our evaluation under the framework set forth in *Internal Control — Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of October 31, 2015. Our internal control over financial reporting as of October 31, 2015 has been audited by Deloitte LLP, an independent registered public accounting firm, as stated in their report which is included herein.

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

B. John Lindeman,
Chief Financial Officer

Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

In March 2002, our common stock began trading on the OTC Bulletin Board under the symbol "CVGW." In July 2002, our common stock began trading on the Nasdaq National Market under the symbol "CVGW" and currently trades on the Nasdaq Global Select Market.

The following tables set forth, for the periods indicated, the high and low sales prices per share of our common stock as reported on the Nasdaq Global Select Market.

FISCAL 2015	HIGH	LOW
First Quarter	$ 48.73	$ 38.83
Second Quarter	$ 52.85	$ 39.46
Third Quarter	$ 56.67	$ 49.95
Fourth Quarter	$ 60.50	$ 44.09

FISCAL 2014	HIGH	LOW
First Quarter	$ 32.49	$ 28.30
Second Quarter	$ 36.17	$ 28.69
Third Quarter	$ 35.23	$ 29.91
Fourth Quarter	$ 48.63	$ 35.51

As of November 30, 2015, there were approximately 894 stockholders of record of our common stock.

DIVIDEND POLICY

Our dividend policy is to provide for an annual dividend payment, as determined by the Board of Directors. We anticipate paying dividends in the first quarter of our fiscal year.

On December 8, 2015, we paid a $0.80 per share dividend in the aggregate amount of $13.9 million to shareholders of record on November 17, 2015.

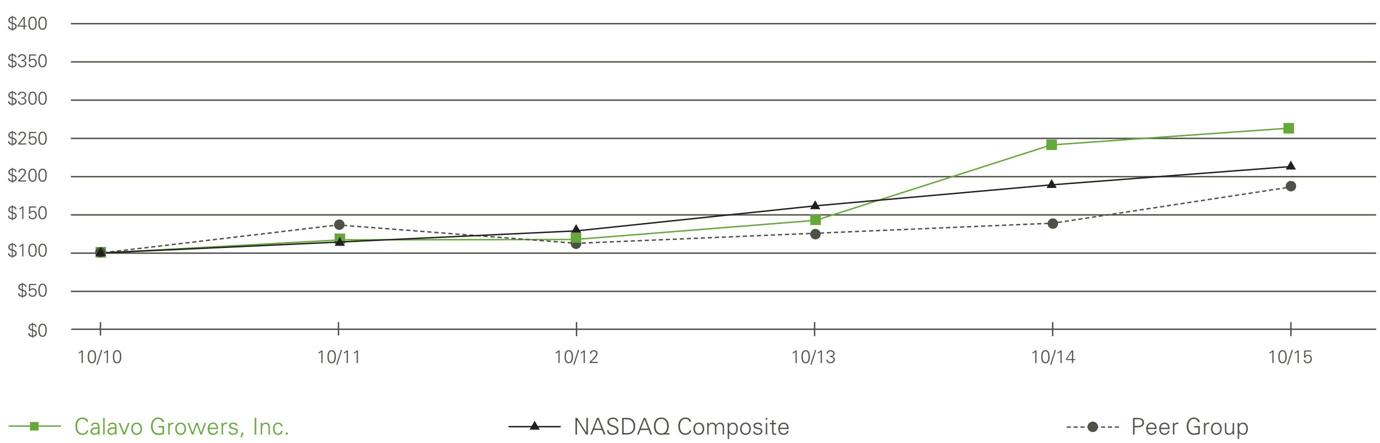
On December 8, 2014, we paid a $0.75 per share dividend in the aggregate amount of $13.0 million to shareholders of record on November 17, 2014.

Shareowner Return Performance Graph

The following graph compares the performance of our common stock with the performance of the Nasdaq Market Index and a Peer Group of major diversified companies in our same industry for approximately the 60-month period beginning on October 31, 2010 and ending October 31, 2015. In making this comparison, we have assumed an investment of $100 in Calavo Growers, Inc. common stock, the Nasdaq Market Index , and the Peer Group Index as of October 31, 2010. We have also assumed the reinvestment of all dividends.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN*

Among Calavo Growers, Inc., The NASDAQ Composite Index, and a Peer Group



*$100 invested on 10/31/10 in stock or index, including reinvestment of dividends. Fiscal year ending October 31.

Corporate Information

OFFICERS

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

Kenneth Catchot
President and
Chief Operating Officer

B. John Lindeman
Chief Financial Officer and
Corporate Secretary

Rob Wedin
Vice President
Fresh Sales and Marketing

Alan Ahmer
Vice President
Foods Division Sales
and Operations

Mike Browne
Vice President
Fresh Operations

James E. Snyder
Corporate Controller
Chief Accounting Officer

OFFICER—CALAVO DE MEXICO

Dionisio Ortiz
Director of Operations
Calavo de Mexico

PRINCIPAL BOARD COMMITTEES
EXECUTIVE COMMITTEE

Lecil E. Cole
Chairman

J. Link Leavens
First Vice Chairman

Scott N. Van Der Kar
Second Vice Chairman

Dorcas H. Thille

Donald "Mike" Sanders

Harold S. Edwards

AUDIT COMMITTEE

Egidio "Gene" Carbone, Jr.
Chairman

John M. Hunt

Steven W. Hollister

Michael A. "Mike" DiGregorio

NOMINATING & GOVERNANCE COMMITTEE

John M. Hunt
Chairman

George H. Barnes

Marc Brown

James D. Helin

COMPENSATION COMMITTEE

Steven W. Hollister
Chairman

James D. Helin

Michael A. "Mike" DiGregorio

OPERATING DIRECTORS & MANAGERS

Bruce Spurrell
Director, Purchasing
and Risk Management

John Agapin
Director, Systems Analysis
and Planning

Patricia D. Vorhies
Director, Human Resources

Gary M. Gunther
Director, Fresh Operations
Special Projects

Michael Lippold
Director, Strategic Development

Marc Fallini
Director of California Avocado
Operations

Joseph Malagone
Packinghouse Manager, Santa Paula

Francisco Orozco
Packinghouse Manager, Temecula

HEADQUARTERS

Calavo Growers, Inc.
1141A Cummings Road
Santa Paula, California 93060
Telephone 805.525.1245
Fax 805.921.3219
www.calavo.com

GENERAL COUNSEL

Troy Gould PC
Los Angeles, California

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Deloitte & Touche LLP
Los Angeles, California

INVESTOR & CORPORATE RELATIONS COUNSEL

FoleyFreisleben LLC
Los Angeles, California

FORM 10-K

A copy of the company's annual report as filed upon Form 10-K is available upon request to the Corporate Controller or online from the Securities and Exchange Commission at www.sec.gov.

TRANSFER AGENT & REGISTRAR

Computershare
Trust Company, N.A.
Canton, Massachusetts

COMMON STOCK LISTING

Shares of the company's common stock are listed on the Nasdaq Global Select Market under the symbol CVGW.

Calavo Growers, Inc. is a leading packer and marketer of fresh and prepared avocados throughout the United States and other countries globally, as well as an expanding distributor of other diversified produce items sold under the company's well-respected brand name and its Maui Fresh label, a wholly owned subsidiary. The company supplies wholesale, retail, restaurant and institutional food service customers on a world-wide basis through its three principal operating units—Fresh products, Calavo Foods and Renaissance Food Group, LLC (RFG).

Calavo packs, markets and distributes to the United States and Canada approximately 28 percent of the fresh California avocado crop and about 18 percent of all fruit grown in Mexico. In aggregate, company volume comprises approximately 20 percent of the total available all-source fresh avocado supply to North America. The company sources these avocados from California, Mexico and Chile to satisfy year-round domestic demand, for export and for use in prepared products. Calavo is also a leading marketer of fresh fruit grown in the Hawaiian Islands, including papayas and other tropical-produce items. Other diversified fresh produce items include Calavo-brand tomatoes and pineapples, as well as Hispanic specialties such as a wide range of chilies.

The company's Calavo Foods business unit manufactures and distributes prepared items including fresh refrigerated guacamole and other avocado products, as well as guacamole hummus. Under the Calavo Salsa Lisa brand, the company produces and sells six varieties of wholesome refrigerated fresh salsa made with all-natural ingredients. Calavo's RFG business unit, acquired in June 2011, is a leader in the fast-growing refrigerated fresh packaged goods category through an array of retail product lines for produce, deli, meat and food-service departments sold under brands that include Garden Highway and Chef Essentials.

Founded in 1924 as a grower-owned cooperative, Calavo today is publicly traded on the Nasdaq Global Select Market under the ticker symbol CVGW. Employing more than 2,000 people, the company is headquartered in Santa Paula, California, where it also operates one of three fresh-avocado packinghouses and a Value Added Depot, housing sales, distribution and advanced ripening technologies. Calavo's additional three packinghouses are located in: Temecula, California; Guzmán, Jalisco, Mexico; and Uruapan, Michoacán, Mexico, where the company also operates its prepared-avocado manufacturing facility. There are additional Value Added Depots equipped with the company's proprietary ProRipeVIP® technology in Dallas, Texas and Swedesboro, New Jersey. RFG operates seven production and distribution centers strategically situated across the United States.

Calavo Growers, Inc.

Creative Direction: Dan McNulty Designed: MC BrandStudios www.mc-brandstudios.com Concept/Editorial: FoleyFreisleben LLC www.folfry.com Photography: Marcelo Coelho www.marcelocoelho.com
Printing: Haagen Printing/Typecraft www.haagenprinting.com

Senior Management

(from left to right)

KENNETH CATCHOT President and Chief Operating Officer B. JOHN LINDEMAN Chief Financial Officer and Corporate Secretary

ROB WEDIN Vice President, Fresh Sales and Marketing AL AHMER Vice President, Foods Division Sales and Operations

MIKE BROWNE Vice President, Fresh Operations

CALAVO GROWERS, INC.
1141 Cummings Road,
Santa Paula, California 93060
www.calavo.com