DEAL A DAY GROUP CORP.
Form 10-K/A
July 03, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Amendment No. 1

To

FORM 10-K

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

For the fiscal Year Ended December 31, 2013

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

For the Transition Period from __________ to _________

DEAL A DAY GROUP CORP.

(Exact name of registrant as specified in its charter)

Nevada	**000-52323**	**90-0731925**
(State or other jurisdiction of Incorporation	(Commision File Number)	(IRS Employer Identification Number)

5150 E. Pacific Coast Highway, Suite 200

Long Beach, CA 90804
(Address of principal executive offices)

(800) 349-6095

(Registrant s Telephone Number)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes . No X .

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes . No X .

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes . No X .

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. .

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

Large accelerated filer .	Accelerated filer .
Non-accelerated filer . (Do not check if a smaller reporting company)	Smaller reporting company X .

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was $452,804 based upon the price ($0.01) at which the common stock was last sold as of the last business day of the most recently completed second fiscal quarter, multiplied by the approximate number of shares of common stock held by persons other than executive officers, directors and five percent stockholders of the registrant without conceding that any such person is an affiliate of the registrant for purposes of the federal securities laws. Our common stock is traded on the OTC Markets Group U.S., under the symbol DEEL.

As of May 9, 2014, there were 50,380,399 shares of the registrant s $0.001 par value common stock issued and outstanding.

Documents incorporated by reference: None

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act) and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). These forward-looking statements are not historical facts but rather are based on current expectations, estimates and projections. We may use words such as anticipate, expect, intend, plan, believe, foresee, estimate and variations of these words and similar expressions to identify forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted. These risks and uncertainties include the following:

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The availability and adequacy of our cash flow to meet our requirements;

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Economic, competitive, demographic, business and other conditions in our local and regional markets;

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Changes or developments in laws, regulations or taxes in our industry;

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Actions taken or omitted to be taken by third parties including our suppliers and competitors, as well as legislative, regulatory, judicial and other governmental authorities;

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Competition in our industry;

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The loss of or failure to obtain any license or permit necessary or desirable in the operation of our business;

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Changes in our business strategy, capital improvements or development plans;

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The availability of additional capital to support capital improvements and development; and

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Other risks identified in this report and in our other filings with the Securities and Exchange Commission or the SEC.

This report should be read completely and with the understanding that actual future results may be materially different from what we expect. The forward looking statements included in this report are made as of the date of this report and should be evaluated with consideration of any changes occurring after the date of this Report. We will not update forward-looking statements even though our situation may change in the future and we assume no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Use of Term

Except as otherwise indicated by the context, references in this report to Company , DEEL , we , us and ou references to Deal a Day Group Corp. All references to USD or United States Dollars refer to the legal currency of the United States of America.

PART I

ITEM 1.

BUSINESS

Corporate History

Deal a Day Group Corp. (DEEL or the Company) was incorporated in the state of Nevada on April 27, 2005 under the name Puppy Zone Enterprises, Inc. On December 20, 2007, we entered into an Agreement and Plan of Merger with Actiga Corporation whereby Puppy Zone Enterprises, Inc. merged into Actiga Corporation, and we filed Articles of Merger to effectuate the merger and name change. On January 14, 2008, we effectuated the merger (the Merger) of our subsidiary with and into QMotions, Inc., (QMotions) with QMotions becoming the surviving wholly-owned subsidiary of the Company.

Until October 23, 2008, we, through two of our then wholly-owned subsidiaries, QMotions and Aptus Games Inc., (Aptus) operated our business as a developer, manufacturer and distributor, marketer and seller of motion-based controllers for on-line video games and developer of three-dimensional gaming software. On August 20, 2009, we changed our name to Avisio, Inc., to reflect the new business model of the Company, which is to acquire and commercialize underutilized but potentially high value assets into profitable companies.

Thereafter and due to the growth and evolution of the daily deal industry, we decided to change our business model. On September 1, 2011 we changed our name to Deal a Day Group Corp. to reflect our new business direction in the internet sales and marketing industry. Accordingly, on November 4, 2011, we entered into an Asset Acquisition Agreement (the Asset Acquisition Agreement) with Rich Media Corp. (RMC) whereby the Company acquired certain assets directly related to various online marketing and media websites, and social media accounts operating in the internet sales and marketing industries (collectively the Acquired Assets). In exchange for the Acquired Assets, RMC received an aggregate payment of one million five hundred thousand (1,500,000) restricted shares of the Company s common stock. The assets acquired included a web presence (including URLs, domains, websites and social media outlets), marketing and branding materials (including intellectual property, artwork, logos and graphics), existing contracts and books and records. The consideration given for the assets was valued at $1,500 and a likewise valuation allowance was taken in the financial statements for the year-ended December 31, 2011.

From our headquarters in Long Beach, California, we plan to become an internet-based social media company focused on marketing coupons to local merchants. The Company s goal is to set itself apart from the larger competitors by developing long term relationships with its merchants. We will offer value-added products, services and support to help retain the customers brought in by the deals we offer, with a constant focus on offering such deals to a local consumer base. We have found that these are the most sought after criteria to attracting merchant participation.

Since the adoption of our new business venture as the central focus of the Company, we have concentrated our efforts on building a core operations team and requisite software platforms. As part of these efforts, we secured the domain name, www.ridethedeal.com, and we finalized the development of our website towards the end of January 2012. The majority of our time since the fourth quarter of 2013 has been spent on capital fund raising efforts, market research and analysis, continuing software development, and direct contact and feedback with local merchants and people within the target community. We believe our success will come from the strategic marketing of our product and service offerings and the development of strong relationships with our merchants for continuous repeat-business. We intend to launch in other communities in the United States with the eventual goal of expanding internationally.

Business Model

The initial component of our revenue model is the sale of merchants daily deal offerings. We have developed the website and supporting backend software enabling an efficient and streamlined process for: (i) posting a daily deal; (ii) monitoring, tracking, and statistical record keeping of the deal coupon purchase; and, (iii) detailed transactional accounting among the consumer, the merchant and the Company.

Additionally, we intend to offer merchant advertising whereby merchants will be offered participation in our purchased advertising, email, and social media campaigns, banner advertising on our website, and special events. We believe this low-cost but high-margin model has the potential to gain momentum if we are able to generate greater name recognition and as our user and follower base grows.

Affiliate Marketing will also be an added revenue stream providing high margins and minimal costs to the Company. Affiliate programs are offered by companies or individuals that want to market a product or service but do not necessarily want to incur additional advertising expenditures. Banner advertising will be displayed on the Company s website driving merchant traffic to the affiliate business website. The entity or individual would pay the Company commissions on transactions facilitated between customers and affiliate suppliers. There are no overhead costs to the Company and our in-house personnel can manage the entire process of the Affiliate Marketing procedures for the website.

Products and Services

Our current website, www.ridethedeal.com, will be the basis of our first venture into the social media/online coupons industry. This site will feature a daily Deal of the Day and it will be the center point for future Merchant Advertising and Affiliate Marketing. Our website will only be a portal for coupons, and we will not be involved in any direct sales of products or services through our website. Our initial revenue stream will come from selling coupons for the daily deals. Each sale is split between the Company and the merchant offering the deal.

Through our Ride The Deal brand, the Company will develop its business model and offer its deals in tier 2 markets, which consist of the communities outside of the major metropolitan areas with populations of less than 500,000. We believe that these areas may tend to have a much stronger sense of community since supporting the local community is an important factor in both consumers choices as well as the desire for merchants to participate in these promotions. Thus our brand statement: Shop Local. Save Local. Support Local. will be a theme throughout our Company.

Our sales team will work with each merchant to create customized deals for each individual merchant. We have also created standardized deal templates for the main categories of merchants such as restaurants, bars, and spas for quick demonstrations, sales and postings for potential merchant clients. We are continuing to develop templates for different categories of deals, and we are working on providing a greater selection of options for the sales team to offer merchants. These standardized templates are efficient for the merchants and they also reduce the time and costs for the Company.

Plan of Operations

Phase 1 Company Structure, Software and Technology

The Ride the Deal assets were acquired shortly thereafter as part of the Asset Acquisition Agreement and we began implementing our new business plan in November 2011. Since then, we have established a central headquarters in

Long Beach, California as the basis of our initial operations, and as our operations are mostly virtual, new satellite cities can be operated and managed remotely once we expand our operations into other cities. With the exception of local sales and writing staff, we anticipate incurring minimal infrastructure costs as part of expanding our deal offerings to additional cities.

We believe a stable and feature-rich software platform is the foundation on which the electronic coupon industry is based. Accordingly, and after careful consideration and analysis, we determined that the creation and development of our own proprietary software platform would ultimately provide the greatest value to the Company and to our potential and existing clients. Our sales cycle relies almost exclusively on this platform; therefore, we focused our initial research on various third-party offerings for such software platform. The proprietary software platform required a larger initial investment of time and resources, but we believe the numerous benefits it offers far outweigh its costs. Additionally, ownership and control of our own software platform has created an asset which can be monetized via several channels:

1.

Scalability built into the design means expanding to additional cities does not require further investment or licensing fees paid to third parties;

2.

We can adapt readily to technology requirements as the electronic coupon industry continues to evolve;

3.

Our products and services are highly customizable; therefore, changes can be implemented immediately using our in house technical experts;

4.

Alternative revenue sources can be established by offering a customized suite of software packages to other, non-competitive operations; and,

5.

Further revenue sources can be exploited as proprietary applications and features are developed, utilized and tested within our own operations. Those that have high monetizable value can be re-packaged and offered to third parties

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Version 1.0 of our software platform and website went live in beta testing in December 2011. Other milestones we completed during the 4th quarter of 2012 include the hiring of a sales team, development of the Company s marketing plan, and the onset of an email database development. Version 2.0 of our software was completed in the 4th quarter of 2012. Since the second quarter of 2012, we have used our cash reserves while attempting to raise funds through equity or debt. As a result, our preliminary sales team has been released but we have retained our marketing plan and developing an email database. Once additional funds have been raised by the Company, we will continue with re-establishing a sales team.

Phase 2 Operations, Marketing & Sales

Phase 2 of our business plan began at the start of 2012 with the completion of the Company s website. Our website, www.ridethedeal.com has not gone live as the Company has processed certain test transactions to date to ensure the website s viability. Marketing is a two-fold aspect of our business since we market out services to both merchants and subscribers. Although the primary goal of our marketing activities is to create a local subscriber base through the procurement of emails, there are positive spill-over effects that aid in procuring participating merchants and ultimately creating more daily deals. We believe that the simple and most important analysis is that higher number of emails equals higher revenues. A large subscriber base also attracts merchants to participate as the daily deals will be viewed by a large number of individuals. Therefore, even if the daily deal is not purchased, the simple act of viewing the daily deal provides exposure and advertising. These effects allow us to devote most of our marketing budget and resources to the task of collecting opt-in emails.

Our research has shown that merchant participation and closing rates with face to face presentations are far higher than solicitations via telephone, email and other forms of communication. A sales associate is given an Apple iPad which is pre-loaded with the Company s own proprietary software tools and applications, including:

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Ride The Deal presentation;

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Various deal templates;

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Deal and revenue calculator;

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Post-deal promotions and marketing tools; and,

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Electronic contracts (with signing function)

Sales associates are able to create, submit and close a deal immediately upon the approval of the participating merchant with the specific conditions of a sale to require final approval from Company management. The iPad applications allow for a paperless contract with a signing function; however a printed copy of the deal will be provided for merchant records. New deals are submitted to the deal queue within the Company s software platform and uploaded according to a schedule, which is designed to offer a strategic mix of daily/featured deals along with continuing deals which will be presented in the side bar of the deals page until the offering of that specific deal has expired. Daily deals are offered through our website and sent via email blast to our subscriber base and social media channels. Revenues are generated from the purchasing of the deals and reconciled daily through our transaction engine which is integrated with our accounting systems.

Revenues from sales of the daily deals will be divided between the merchant and our Company. This model was first introduced by Groupon, Inc. where the merchant and the daily deal operator would split the proceeds from the deal 50/50.

For example:

1.

A deal would be offered at $20 (retail price to consumer)

2.

The $20 is paid immediately to the daily deal site through the transaction engine

3.

$10 would be retained and $10 would be paid out to the participating merchant over a 2-3 month period

The Company s policy is to offer a 55% payout, slightly higher than the industry norm of 50%, to the merchant with payments made to the merchant in two tranches. The first payment will be advanced within 7 days of the receipt of the proceeds of the deal transaction, and the second 15 days thereafter. The response to this policy has been positive as we have also developed programs to retain customers after the deal has been run. Additionally, we plan to pay the merchants at a much quicker rate, with the payout happening generally within 2 weeks to a month, versus the original 2-3 month period.

The Company also works with merchants to create special offers and deeply discounted products and services in the form of stored value vouchers or coupons that can be redeemed at the purchaser s leisure. The Company s sales plan involves offering new deals on a daily basis on our website and disseminating such deals to a subscriber base via email blasts and social networking channels. If the subscriber likes the deal, he or she can purchase it immediately through our payment gateway. We have chosen Authorize.net as our payment processor which ties in seamlessly with our transaction engine and software platform. Since Authorize.net accepts all major credit cards and other forms of electronic payment, including Pay Pal. We plan to eventually rotate deals daily with the featured deal being presented as the deal of the day with past deals being offered until the offering or buy period has expired.

Deals generally fall into one of several main themes and categories, the determining factors of which are typical for each type of business category. We have developed standardized templates for the main categories of merchants such as restaurants, bars, and spas for quick demonstrations, sales, and postings for the potential merchant clients. Customized deals can also be made according to the goals and needs of the specific merchant.

We anticipate that a typical deal will offer 50% or greater savings to the purchaser. For example, a restaurant may offer a dining certificate which carries a value of $40 dollars to be spent at the restaurant at a price of $20 (i.e. the customer pays $20 and is given a voucher with $40 value). All deals will have an expiration time and date for the purchase of the deal in order to help create a sense of urgency.

Deals will have a minimum and maximum number of units available depending upon the merchants ability and desire to deliver/provide such deals. Some deals will depend upon a threshold limit for the deal to be viable for the merchant. For example, in order to create a viable deal, a total of 15 purchases must be made before the deal is active. Once this threshold is met, the deal becomes active and all deals previously purchased or purchased before the expiration time become valid. If this threshold is not met within a given time limit, the deal never becomes active and any customers who purchased the deal will be refunded their purchase price.

All coupons and vouchers will have unique number code identifiers in order to deter copying or counterfeiting and for accounting and reconciliation purposes. We are working on a mobile application to enable downloading and storing the deal voucher onto smartphones. Consumers will eventually have the choice to either print a hard copy of the voucher for presentation, or simply present their smartphone with the electronic voucher to the merchant. Our software platform has been designed to provide easy redemption for both the merchant and the consumer. The back end of the software platform also allows for simple and automated reconciliation between the Company and the merchant so that the appropriate commissions and division of revenues are calculated and paid.

To date, we have not earned any significant revenues from our revenue model.

Phase 3 Expansion Plans

We believe that California is the best area strategically to launch our services. The state includes an abundant list of cities near major metropolitan areas that meet our criteria of populations under 500,000. Where some of our larger competitors may offer nation-wide exposure, we offer exposure to local consumers who we believe have a much higher propensity to purchase the deal and also to be returning customers to their local merchants. We plan to expand into markets within geographical proximity to existing markets, while maximizing he efficiency of the ways in which we obtain subscribers, both virtual (Search Engine Optimization, Social Media, etc.) and physical (involvement and presence in the community through relationships with charities, chambers of commerce and involvement in community events).

Our business model is such that capital costs are relatively low compared to the ability to create revenue immediately. We estimate each expansion location will cost between $25,000 to $50,000 depending on the actual distance from our headquarters in Long Beach. We will seek further debt funding and or equity financing to meet our operations commitments and expansion plans.

The following cities have been targeted for possible future locations:

- Temecula
- Murrieta
- Victorville
- Fresno
- San Luis Obispo County
- Danville
- La Quinta
- Palm Springs
- North County San Diego
- Lincoln

We note that we are currently in the midst of completing Phase 2 but have scaled back operations while we continue efforts to seek additional equity or debt financing.

Marketing Strategy

The Company s Marketing Strategy is focused on expending resources on optimal opportunities in order to generate revenues, maximize exposure, and develop a loyalty amongst both subscribers and merchant clientele. Our strategies also anticipate changes in consumer buying habits and market conditions, allowing us flexibility to quickly and efficiently make changes to our online presence, marketing efforts, and communications with all parties.

We will continue to develop our flagship location in the Long Beach, California, area, and will also continue to fine tune our fully-operational website by using the feedback of our merchants and subscribers to assist us in growing our brand name awareness. Once additional funding is raised, approximately 50% of our operational budget will be allocated to marketing efforts moving forward.

Search Engine Optimization and Web-Based Marketing. Search and social media have proven to be key drivers that determine the sites that consumers visit. We believe that effective web-based marketing and strong Search Engine Optimization (SEO) strategies have become critical to any company s ongoing internet success. Therefore, the Company has developed an in-house SEO and Web-Based marketing team that is leveraging its experience and developing specialized tools to maximize the effectiveness in these areas:

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On the front-end, the SEO and web-based marketing efforts drive traffic to our site, provide information to users and help to procure a larger subscriber base

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On the back-end, we have implemented analytical tools, which further help to assess online-behavior and the effectiveness of our campaigns and the message we are providing to users.

The Company is utilizing the marketing tools offered by social media sites such as Facebook, Pinterest and Twitter and creating city-specific blogs using local writers to create awareness in the social media arena. These tools have proven highly effective in extending reach and exposure in both the virtual and real-world communities, thereby ultimately increasing our subscriber base.

Community Involvement. The Company has engaged with and is developing working agreements with local and national charities with a local presence. We believe that by working closely with the charities we will be able to develop solutions where both consumers and merchants can choose to help give back to the community and support local charities. Engaging with and working with local charities also helps to validate our Company and our brand in

the community. Offering partial proceeds to charity has made our offerings more attractive to our subscriber base and provided an avenue for participating merchants to give back to the community.

Street Teams and Brand Ambassadors. The Company has created street teams consisting of Brand Ambassadors who offer customized Ride The Deal promotional items and provide information to the local community on a one-on-one basis. These teams are deployed in various events such as Farmers Markets, Local Business/Community Gatherings and Special Events to offer our brand presence at the local level. The response from the community has been overwhelmingly positive and this has become a source for a cost-effective, grassroots campaign for collecting subscribers who wish to opt-in to our email blasts. We intend to use these street teams in each new city where Ride The Deal will have a presence.

Chambers of Commerce. We intend to become a member and attend and/or sponsor various events of the local Chambers of Commerce in every community that we launch.

Print Media. Although newspaper ads in the larger local and community publications have proven to be effective compliments to our advertising and marketing efforts, traditional forms of advertising and marketing such as radio, print media and billboards will be kept to a minimum in order to control costs and maximize the efficiency of our marketing budget.

Competition

We consider our two biggest competitors to be Groupon and Living Social. We feel that it would be difficult for our Company to compete with them on the same level due to their international name recognition and available financial resources. Therefore, we have differentiated ourselves enough so that they are not a threat to our target audience and markets. In addition to these competitors, we expect to compete against large Internet and technology-based businesses, such as Facebook®, Google® and Microsoft®, each of which has launched initiatives which are directly competitive to our business. We also expect to compete against other Internet websites that are focused on specific communities or interests and offer coupons or discount arrangements related to such communities or interests. We will also compete with traditional offline coupon and discount services, as well as newspapers, magazines and other traditional media companies who provide coupons and discounts on products and services.

When attracting potential merchants, we target the smaller markets, as opposed to the large metropolitan markets our competitor s target and we communicate and transact with the merchants in person. We also offer flexible deal structures that allow us to cater to individual merchants when required. Our research has shown that the bigger companies inflexibility has caused merchants to push back. We focus on client retention, with the belief that the best and easiest client is a repeat client.

With subscribers, we highlight the authentically local and boutique-oriented approach, which has been readily accepted and enticing to subscribers. We are building community awareness through organic marketing measures. The deployment of our street teams as brand ambassadors and their attendance at community events have actually created awareness and helped educate both consumers and merchants on the format of daily deals. In light of these differences, the response from both consumers and merchants in the community has been overwhelmingly positive.

Although we are aware that there are also constantly new smaller companies entering into the marketplace, we believe that attrition rates are extremely high primarily because as the barriers to entry into this industry are deceptive and much more complex than simply a software package and email list.

We believe overcoming these competitors can be accomplished with our plan of creating true brand awareness and carving our own unique niche. We own our own software platform and have an in-house tech team that can adapt quickly and efficiently to our technology needs. We are authentically local and involved in the community through charities, chambers of commerce special events, and even our outside sales people are local hires.

Patents, Trademarks, and Licenses

The Company has not applied for any patents or trademarks and does not intend to do so in the foreseeable future.

Government Regulation

Our website and other online content are subject to government regulation of the Internet in many areas, including user privacy, telecommunications, libel, data protection, consumer protection, intellectual property, advertising, taxation, and e-commerce. The application of these laws and regulations to our business is often unclear and sometimes may conflict. It may take years to determine whether and how existing laws governing those areas apply to the Internet and to our Company, as the vast majority of these laws were adopted prior to the advent of the Internet and do not contemplate or address the unique issues raised by the Internet or e-commerce. Nonetheless, laws and regulations directly applicable to Internet communications, e-commerce and advertising are becoming more prevalent and due to the increasing popularity and use of the Internet, it is likely that additional laws and regulations will be adopted. Further, the growth and development of the market for e-commerce may prompt calls for more stringent consumer protection laws, both in the United States and abroad, which may impose additional burdens on companies conducting business online. Compliance with these laws and regulations may involve significant costs or require changes in business practices that result in reduced revenue. Noncompliance could result in penalties being imposed on us or orders that we stop the alleged noncompliant activity, either of which would substantially harm our business.

Further, there are a number of legislative proposals pending before the U.S. Congress, various state legislative bodies and foreign governments concerning data protection and many states have passed laws that require notifications to be sent to subscribers when there is a security breach of personal data. The interpretation and application of current laws regarding data protection are still uncertain and in flux. It is possible that these laws may be interpreted and applied in a manner that is inconsistent with our data practices. If so, in addition to the possibility of fines, this could result in an order requiring that we change our data and disclosure practices, which could have an adverse effect on our business. Complying with these various laws could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business.

Further, the federal Credit Card Accountability, Responsibility and Disclosure Act of 2009 (CARD Act), as well as the laws of most states, contain provisions governing product terms and conditions of gift cards, gift certificates, stored value or pre-paid cards or coupons ("gift cards"), such as provisions prohibiting or limiting the use of expiration dates on gift cards or the amount of fees charged in connection with gift cards, or requiring specific disclosures on or in connection with gift cards. Our proposed products will generally fall into the category of "gift cards" in many of these laws. However, the CARD Act and a number of states provide exemptions or modifications from these provisions for gift cards that are issued as part of a promotion or promotional program. If our proposed products are subject to the CARD Act, and are not included in the exemptions or modifications for promotional programs, it is possible that the purchase value, which is the amount equal to the price paid for the deal, or the promotional value, which is the add-on value of the deal in excess of the price paid, or both, may not expire before the later of (i) five years after the date on which the deal was issued; (ii) the deal s stated expiration date (if any); or (iii) a later date provided by applicable state law. In addition, regardless of whether an exemption or modification for our proposed products applies under the CARD Act, in those states that prohibit or otherwise restrict expiration dates on gift cards and that do not have exemptions that apply to the purchase value or the promotional value, or both, the Company may be required to honor the full offer value (the total of purchase value and promotional value) until redeemed. Our terms of use and agreements with our merchants will require merchants to continue to honor unredeemed deals that are past the stated expiration date of the promotional value of the deal to the extent required under the applicable law.

In addition, some states also include gift cards under their unclaimed and abandoned property laws which require companies to remit to the government the value of the unredeemed balance on the gift cards after a specified period of time (generally between one and five years) and impose certain reporting and recordkeeping obligations. We may have to remit funds to the government relating to unredeemed deals under these laws. The analysis of the potential application of the unclaimed and abandoned property laws to our proposed products is be complex, involving an analysis of constitutional and statutory provisions and factual issues, including our relationship with subscribers and merchants and our future role as it relates to the issuance and delivery of our products.

Furthermore, our Company must also make sure that we maintain full transparency with respect to our donation model. Commercial Co-Venturer Laws (CCV) laws generally protect consumers and charities against fraudulent or misleading advertising and help to assure that promised donations get delivered to the proper place. We intend to be fully transparent regarding our charitable donations and to abide by CCV laws.

WHERE YOU CAN GET ADDITIONAL INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy our reports or other filings made with the SEC at the SEC s Public Reference Room, located at 100 F Street, N.E., Washington, DC 20549. You can obtain information on the operations of the Public Reference Room by calling the SEC at 1-800-SEC-0330. You can also access these reports and other filings electronically on the SEC s web site, www.sec.gov.

ITEM 1A.

RISK FACTORS

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

ITEM 1B.

UNRESOLVED STAFF COMMENTS

None.

ITEM 2.

PROPERTIES

Our offices are currently located at 5150 E Pacific Coast Highway, Suite, 200, Long Beach, CA 90804 and the telephone number is 800-349-6095. We pay monthly rent of approximately $125 for the shared industrial/office space. The space is utilized for general office purposes and it is our belief that the space we currently occupy is adequate for our immediate needs. Additional space may be required as we expand our operations. We do not foresee any significant difficulties in obtaining any required additional space. We currently do not own any real property.

ITEM 3.

LEGAL PROCEEDINGS

On April 1, 2010, the Company entered into a Stipulation for Entry of Judgment (Settlement Agreement) pursuant to which Aptus Games, Inc., (a former subsidiary of the Company) agreed to pay VFX Direct LLC (VFX) the sum of $12,000 in installments commencing March 2010 and ending July 2010. Payments were scheduled to be $600 for the first four months of the Settlement Agreement and a final payment in the amount of $9,600 in July 2010. As of December 31, 2013, the Company has not been able to make the final payment. The remaining balance to date is $4,100. Under this Settlement Agreement, the Company also agreed to deliver 75,000 restricted shares of its common stock of to certain affiliates of the plaintiff. The original demand was for $24,999.

On June 7, 2011, VFX filed a complaint against Aptus Games, Inc. in Superior Court of the State of California, County of Riverside alleging vendor amounts due. The claim is for $88,000 with interest at 10% per annum from September 28, 2008, attorney fees, cost of litigation and general and equitable relief as the court deems just and proper. The Company has answered the claim and awaiting further court activity. The Company s vendor account balance is $60,300. VFX and the Company settled the matter out of court and the Company issued VFX 100,000 shares of common stock and $7,500.

ITEM 4.

MINE SAFETY DISCLOSURES

Not Applicable.

PART II

ITEM 5.

MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Common Stock

The Company s common stock has been traded on the OTC Markets Group U.S., under the symbol DEEL. The following table sets forth, in U.S. dollars the high and low bid prices for each of the calendar quarters indicated, as reported by the OTC Markets. The prices in the table may not represent actual transactions and do not include retail markups, markdowns or commissions.

	Company Common Stock	
	Bid Prices*	
	High	**Low**
2013		
Quarter ended December 31	$0.12	$0.01
Quarter ended September 30	$0.11	$0.01
Quarter ended June 30	$0.09	$0.01
Quarter ended March 31	$0.05	$0.01
2012		
Quarter ended December 31	$0.16	$0.01
Quarter ended September 30	$0.05	$0.03
Quarter ended June 30	$0.33	$0.02
Quarter ended March 31	$0.45	$0.17

*Prices reflect post-split numbers.

Record Holders

As of May 9, 2013, an aggregate of 50,380,399 shares of our common stock were issued and outstanding and were held by approximately 53 holders of record, based on information provided by our transfer agent.

Recent Sales of Unregistered Securities

Other than as previously disclosed, none.

Re-Purchases of Equity Securities

None.

Dividends

On November 3, 2011, the Company effectuated a reverse split (the Reverse Split) of its issued and outstanding common shares whereby every two (2) old shares of the Company s common stock were exchanged for one (1) new share of the Company's common stock. The Reverse Split was payable as a dividend to shareholders of record upon surrender.

We have not paid any cash dividends on our common stock since inception and presently anticipate that all earnings, if any, will be retained for development of our business and that no dividends on our common stock will be declared in the foreseeable future. Any future dividends will be subject to the discretion of our Board of Directors and will depend upon, among other things, future earnings, operating and financial condition, capital requirements, general business conditions and other pertinent facts. Therefore, there can be no assurance that any dividends on our common stock will be paid in the future.

ITEM 6.

SELECTED FINANCIAL DATA

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

ITEM 7.

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

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act) and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). These forward-looking statements are not historical facts but rather are based on current expectations, estimates and projections. We may use words such as anticipate, expect, intend, plan, believe, foresee, estimate and variations of these words and similar expressions to identify forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted. You should read this report completely and with the understanding that actual future results may be materially different from what we expect. The forward-looking statements included in this report are made as of the date of this report and should be evaluated with consideration of any changes occurring after the date of this Report. We will not update forward-looking statements even though our situation may change in the future and we assume no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

RESULTS OF OPERATIONS

Working Capital

		December 31, 2013		December 31, 2012
Current Assets	$	0	$	3,795
Current Liabilities	$	2,614,781	$	2,449,483
Working Capital (Deficit)	$	(2,614,781)	$	(2,445,688)

Cash Flows

		December 31, 2013		December 31, 2012
Cash Flows Used in Operating Activities	$	(25,095)	$	(344,779)
Cash Flows From Financing Activities	$	25,000	$	322,480
Net Decrease in Cash During Period	$	(95)	$	(22,299)

Operating Revenues

Operating revenues for the year ended December 31, 2013 was $nil.

Operating revenues for the year ended December 31, 2012 was $nil.

Operating Expenses and Net Loss

Operating expenses for the year ended December 31, 2013 was $128,440 and is comprised mostly of stock based compensation, consulting fees, professional fees and general and administrative expenses.

Operating expenses for the year ended December 31, 2012 was $526,104 and is comprised mostly of stock based compensation, consulting fees, professional fees and general and administrative expenses.

Net loss for the year ended December 31, 2013 was $214,892 and is comprised of operating expenses, interest expense, forgiveness of debt, derivative expense, amortization of debt discount and change in fair market value of derivative.

Net loss for the year ended December 31, 2012 was $1,008,628 and is comprised of operating expenses, interest expense, derivative expense, amortization of debt discount and change in fair market value of derivative.

Liquidity and Capital Resources

As at December 31, 2013, the Company s total asset balance was $0 compared to $3,795 as at December 31, 2012. The decrease in total assets is attributed mainly to a decrease in cash resulting from the Companies inability to raise sufficient debt or equity financing to cover expenses.

As at December 31, 2013, the Company had total liabilities of $2,614,781 compared with total liabilities of $2,449,483 as at December 31, 2012. The increase in total liabilities was attributed to primarily to an increase of amounts owing to a related party, and interest.

As at December 31, 2013, the Company had a working capital deficit of $2,614,781 compared with a working capital deficit of $2,445,688 as at December 31, 2012. The change in working capital deficit was a result of an increase in accrued interest payable and amounts owing to a related party.

Cashflow from Operating Activities

During the year ended December 31, 2013, the Company used $25,095 of cash for operating activities compared to the use of $344,779 of cash for operating activities during the year ended December 31, 2012.

Going Concern

In their report on our financial statements for the year ended December 31, 2013, our independent registered public accounting firm included an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern. Our financial statements contain additional note disclosures describing the circumstances that lead to this disclosure.

There is substantial doubt about our ability to continue as a going concern, as the continuation of our business is dependent upon our obtaining further long-term financing, successful and sufficient market acceptance of our products and ultimately achieving a profitable level of operations. We have historically incurred losses, and through December 31, 2013 have incurred losses of $9,902,190 from our inception.

There are no assurances that we will be able to either (1) achieve a level of revenues adequate to generate sufficient cash flow from operations; or (2) obtain additional financing through either private placement, public offerings and/or bank financing necessary to support our working capital requirements. To the extent that funds generated from operations and any private placements, public offerings and/or bank financing are insufficient, we will have to raise additional working capital. No assurance can be given that additional financing will be available, or if available, will be on terms acceptable to us. If adequate working capital is not available we may not increase our operations.

The Company anticipates that it will require a minimum of $25,000 to maintain its ability to continue its operations assuming no debtors seek additional action against the Company. The Company anticipates that $25,000 will be used as follows:

Description		**Amount**
Rent	$	1,500
Legal		5,000
Accounting and audit		7,500
Office and administrative		2,500
Transfer agent and filing fees		3,500
Consulting		5,000
Total	$	25,000

The Company intends to raise a minimum of $25,000 for 2014 through related party financing until such time the Company may raise significant funds through the issuance of stock or additional debt. Should the Company be unable to achieve a significant financing, the Company will continue to seek financing through related party financing. The Company anticipates that the likelihood of securing funds from related partiesto be high and the likelihood to secure significant financing through the issuance of stock or debt instruments to be low based upon investor sentiment to date.

Off-Balance Sheet Arrangements

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to stockholders.

Future Financings

We will continue to rely on equity sales of our common shares in order to continue to fund our business operations. Issuances of additional shares will result in dilution to existing stockholders. There is no assurance that we will achieve any additional sales of the equity securities or arrange for debt or other financing to fund planned acquisitions and exploration activities.

Critical Accounting Policies

Our financial statements and accompanying notes have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

We regularly evaluate the accounting policies and estimates that we use to prepare our financial statements. A complete summary of these policies is included in the notes to our financial statements. In general, management's estimates are based on historical experience, on information from third party professionals, and on various other assumptions that are believed to be reasonable under the facts and circumstances. Actual results could differ from those estimates made by management.

Contractual Obligations

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

Recently Issued Accounting Pronouncements

The Company has implemented all new accounting pronouncements that are in effect. These pronouncements did not have any material impact on the financial statements unless otherwise disclosed, and the Company does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

ITEM 7A.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

ITEM 8.

FINANCIAL STATEMENTS

Silberstein Ungar, PLLC CPAs and Business Advisors

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Report of Independent Registered Public Accounting Firm

To the Board of Directors of

Deal A Day Group Corp.

Long Beach, CA 90804

We have audited the accompanying consolidated balance sheets of Deal A Day Group Corp. (the Company) as of December 31, 2013 and 2012, and the related statements of operations, stockholders deficit, and cash flows for the years then ended and the period from January 1, 2009 (Inception of development stage) through December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 financial position of Deal A Day Group Corp. as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended and the period from January 1, 2009 (Inception of development stage) through December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that Deal A Day Group Corp. will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has incurred losses from operations, has negative working capital, and is in need of additional capital to grow its operations so that it can become profitable. These factors raise substantial doubt about the Company s ability to continue as a going concern. Management s plans with regard to these matters are described in Note 2. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Silberstein Ungar, PLLC

Bingham Farms, Michigan

May 11, 2014

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Deal a Day Group Corp.

(A Development Stage Company)

Balance Sheets

As of December 31, 2013 and 2012

		December 31, 2013		(Restated) December 31, 2012
Assets				
Current:				
Cash and cash equivalents	$	-	$	$95
Prepaids and other assets		-		3,700
Total current assets		-		3,795
Total Assets	$	**-**	$	**$3,795**
Liabilities and Stockholders Deficit				
Liabilities				
Current:				
Accounts payable	$	230,118	$	192,800
Due to director		30,725		-
Accrued interest		404,715		240,079
Derivative liability		304,189		385,166
Notes payable		1,645,034		1,651,882
Less: debt discount		-		(20,444)
Total Liabilities		2,614,781		2,449,483
Stockholders` Deficit				
Common stock (par value $0.001)				
Authorized, 1,800,000,000 common shares; issued and outstanding, 50,380,399 and 49,218,805 shares at December 31, 2013 and 2012, respectively		50,380		49,219
Additional paid-in capital		7,237,029		7,192,391
Accumulated deficit		(9,902,190)		(9,687,298)
Total Stockholders Deficit		(2,614,781)		(2,445,688)
Total Liabilities and Stockholders Deficit	$	**-**	$	**3,795**

The accompanying notes are an integral part of these financial statements

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Deal a Day Group Corp.

(A Development Stage Company)

Statements of Operations

For the Years Ended December 31, 2013 and 2012 and the

Period from January 1, 2009 (Inception of development stage) to December 31, 2013

				(Restated)		From January 1, 2009 (Inception of development stage) to
		Year Ended December 31,		Year Ended December 31,		December 31,
		2013		2012		2013
Operating expense:						
General and administrative	$	118,489	$	329,387	$	850,983
Stock based compensation		9,951		196,717		1,998,842
Operating loss		(128,440)		(526,104)		(2,849,825)
Non-operating income (expenses):						
Interest expense		(164,638)		(154,138)		(1,168,826)
Forgiveness of debt		17,653		-		17,653
Derivative expense		(1,902)		(2,339)		(4,241)
Amortization of debt discount		(41,416)		(305,283)		(382,128)
Change in fair market value of derivative		103,851		(20,764)		82,180
Loss from continuing operations		(214,892)		(1,008,628)		(4,305,817)
Loss from discontinued operations		-		-		(147,544)
Loss		(214,892)		(1,008,628)		(4,452,731)
Less: net income attributable to non-controlling interests		-		-		(46,582)
Loss attributable to common stockholders	$	(214,892)	$	(1,008,628)	$	(4,406,149)
Loss per share, basic and diluted, before discontinued Operations	$	(0.00)	$	(0.02)		
Loss per share, basic and diluted, from discontinued Operations		-		-		

Net loss per share, basic and diluted	$	(0.00)	$	(0.02)
Weighted average shares outstanding		50,222,267		49,218,805

The accompanying notes are an integral part of these financial statements

Deal a Day Group Corp.

Statement of Stockholders Deficit

As of December 31, 2013

	Common Stock		**Additional Paid-In**	**Non-controlling Interest in**	**Accumulated**	
	Shares	**Amount**	**Capital**	**Subsidiaries**	**Deficit**	**Total**
Balance, January 1, 2009	**47,756,278**	$ **47,756**	$ **8,246,425**	$ **-**	$ **(13,614,996)**	$ **(5,320,815)**
Conversion of Notes Payable	6,575,072	6,575	1,052,757	-	-	1,059,332
Stock based compensation	-	-	579,028	-	-	579,028
Net Loss	-	-	-	-	(1,263,181)	(1,263,181)
Balance, December 31, 2009	**54,331,350**	**54,331**	**9,878,210**	**-**	**(14,878,177)**	**(4,945,636)**
Conversion of Notes Payable	14,493,441	14,493	861,395	-	-	875,888
Conversion of Accounts Payable	2,075,087	2,075	94,561	-	-	96,636
Private Placement in Subsidiaries	365,021	365	6,137	269,892	-	276,394
Private Placement	312,500	313	24,687	-	-	25,000
Stock based compensation	-	-	903,746	-	-	903,746
Net Loss	-	-	-	(46,582)	(1,199,271)	(1,245,853)
Balance, December 31, 2010	**71,577,399**	**71,577**	**11,768,736**	**223,310**	**(16,077,448)**	**(4,013,825)**
Settlement of notes payable-related party	-	-	66,933	-	-	66,933
Conversion of notes payable	-	-	27,285	-	-	27,285
Sale of subsidiaries	-	-	(6,400,538)	(223,310)	8,118,955	1,495,107
1 for 2 stock split	(35,277,281)	(35,277)	35,277	-	-	-

Returned shares	(581,313)	(581)	581	-	-	-
Purchase of assets	1,500,000	1,500	-	-	-	1,500
Conversion of notes payable	12,000,000	12,000	1,188,000	-	-	1,200,000
Issuance of options	-	-	309,400	-	-	309,400
Net Loss	-	-	-	-	(720,177)	(720,177)
Restated, Balance, December 31, 2011	**49,218,805**	**49,219**	**6,995,674**	**-**	**(8,678,670)**	**(1,633,777)**
Issuance of options	-	-	196,717	-	-	196,717
Net Loss	-	-	-	-	(1,008,628)	(1,008,628)
Restated, Balance, December 31, 2012	**49,218,805**	$ **49,219**	$ **7,192,391**	$ **-**	$ **(9,687,298)**	$ **(2,445,688)**
Shares for debt	1,061,594	1,061	30,787	-	-	31,848
Shares for settlement	100,000	100	3,900	-	-	4,000
Issuance of options	-	-	9,951	-	-	9,951
Net Loss	-	-	-	-	(214,892)	(214,892)

(1) As the acquisition for RFG was completed on June 1, 2011, only five months are included in prior year ended October 31, 2011

	Year ended October 31, 2011				Year ended October 31, 2010			
	Fresh products	Calavo Foods	RFG (1)	Total	Fresh products	Calavo Foods	RFG	Total
Third-party sales:								
Avocados	$ 376,980	$	$	$ 376,980	$ 288,814	$	$	$ 288,814
Tomatoes	23,903			23,903	41,595			41,595
Papayas	13,245			13,245	11,278			11,278
Pineapples	4,278			4,278	3,838			3,838
Other fresh products	3,276			3,276	3,617			3,617
Food service		37,431		37,431		40,654		40,654
Retail and club		17,204	58,020	75,224		17,473		17,473
Total gross sales	421,682	54,635	58,020	534,337	349,142	58,127		407,269
Less sales incentives	(1,024)	(9,484)	(1,300)	(11,808)	(1,090)	(7,828)		(8,918)
Net sales	$ 420,658	$ 45,151	$ 56,720	$ 522,529	$ 348,052	$ 50,299	$	$ 398,351

(1) As the acquisition for RFG was completed on June 1, 2011, only five months are included in prior year ended October 31, 2011.
Net sales to third parties by segment exclude inter-segment sales and cost of sales. For fiscal years 2012, 2011, and 2010, inter-segment sales and cost of sales for Fresh products totaling $22.2 million, $15.8 million and $11.7 million were eliminated. For fiscal years 2012, 2011, and 2010, inter-segment sales and cost of sales for Calavo Foods totaling $11.6 million, $11.2 million, and $9.5 million were eliminated.

The following table summarizes our net sales by business segment:

	2012	Change	2011	Change	2010
			(Dollars in thousands)		
Net sales:					
Fresh products	$ 350,582	(16.7%)	$ 420,658	20.9%	$ 348,052
Calavo Foods	46,424	2.8%	45,151	10.1%	50,299
RFG	154,113	171.7%	56,720	N/A	
Total net sales	$ 551,119	5.5%	$ 522,529	31.2%	$ 398,351
As a percentage of net sales:					
Fresh products	63.6%		80.5%		87.4%
Calavo Foods	8.4%		8.6%		12.6%
RFG	28.0%		10.9%		
	100.0%		100.0%		100.0%

Net sales for the year ended October 31, 2012, compared to 2011, increased by $28.6 million, or 5.5%. The increase in sales, when compared to the same corresponding prior year period, is primarily related to an increase in product sales of the RFG and primarily due to only five months of RFG sales being included in the 2011 results based on the timing of the RFG acquisition. Not considering RFG, we experienced a decrease in Fresh product sales during fiscal year 2012, which was due primarily to decreased sales of Mexican, California and Chilean sourced avocados, as well as tomatoes, partially offset by an increase in sales of pineapples. While the procurement of fresh avocados related to our Fresh products segment is very seasonal, our Calavo Foods business is generally not subject to a seasonal effect. See detailed explanations below.

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 2012 vs. Fiscal 2011:

Net sales delivered by the Fresh products business decreased by approximately $70.1 million, or 16.7%, for the year ended October 31, 2012, when compared to fiscal 2011. As discussed above, this decrease in Fresh product sales during fiscal year 2012 was primarily related to decreased sales of Mexican, California and Chilean sourced avocados, as well as tomatoes. These decreases were partially offset, however, by increased sales from pineapples. See details below.

Sales of Mexican sourced avocados decreased $36.5 million, or 16.8%, primarily for the year ended October 31, 2012, when compared to the same prior year period. The decrease in Mexican sourced avocados was due to a decrease in the sales price per carton, which decreased by approximately 25.8%, when compared to the same prior year period. We attribute this decrease primarily to a higher overall volume of avocados in the marketplace. Partially offsetting this decrease, was an increase in pounds sold of 18.2 million pounds or 12.1%, when compared to the same prior year period. Mexican grown avocados are primarily sold in the U.S., Japanese, and European marketplace.

Sales of California sourced avocados decreased $21.1 million, or 14.1%, for the year ended October 31, 2012, when compared to the same prior year period. The decrease in California sourced avocados was primarily due to a decrease in sales price per carton, which decreased approximately 42.6%. Partially offsetting this decrease was an increase in pounds sold, which increased approximately 42.2 million pounds or 49.7%. We attribute most of this increase in volume and decrease in per sale price per carton to the larger California avocado crop in 2012, when compared to 2011. California avocados are primarily sold in the U.S. marketplace.

Sales of tomatoes decreased $12.5 million, or 52.3%, for the year ended October 31, 2012, when compared to the same period for fiscal 2011. The decrease in sales for tomatoes is primarily due to a decrease in the sales price per carton of 52.7%, when compared to the same prior year period. We attribute most of the decrease in the per carton selling price to the higher volume of tomatoes from all sources in the U.S. marketplace.

Sales of Chilean sourced avocados decreased $1.5 million, or 19.9% for the year ended October 31, 2012, when compared to the same prior year period. The decrease in Chilean sourced avocados was primarily due to a decrease in pounds sold. Chilean sourced avocados sales reflect a decrease in 1.3 million pounds of avocados sold, or 18.5%, when compared to the same prior year period.

Partially offsetting such decreases was an increase in sales of pineapples, which increased $2.6 million, or 59.9%, for the year ended October 31, 2012, when compared to the same prior year period. The increase in sales of pineapples was primarily due to an increase in units sold of 83.7%, when compared to the same prior year period. We believe this increase is due to a more consistent reliable source of fresh pineapples and a new offering of crownless pineapples, which has increased our sales volume.

We anticipate that sales of Mexican grown avocados will increase in fiscal 2013, when compared to the same prior year period, due to a large Mexican avocado crop, partially offset by a decrease overall sales prices. We anticipate that sales volume of California grown avocados will increase in fiscal 2013, due to a larger expected California avocado crop. We anticipate sales of Chilean avocados to decrease based on the aforementioned large Mexican avocado crop.

Fiscal 2011 vs. Fiscal 2010:

Net sales delivered by the business increased by approximately $72.6 million, or 20.9%, from fiscal 2010 to 2011. This increase in Fresh product sales during fiscal 2011 was primarily related to an increase in sales of Mexican sourced avocados. This increase was partially offset, however, by decreased sales from tomatoes and California sourced avocados. See details below.

Sales of Mexican sourced avocados increased $98.1 million, or 81.9%, for the year ended October 31, 2011, when compared to the same prior year period. The increase in Mexican sourced avocados was due to a combination of an increase in pounds sold and an increase in the sales price per carton. Mexican sourced avocados sales reflect an increase in 33.8 million pounds of avocados sold, or 29.1%, when compared to the same prior year period. We attribute most of this increase in volume to the significant decrease in the California avocado crop (see below). In addition, the sales price per carton increased by approximately 40.9%. We attribute this increase primarily to a lower overall volume of avocados in the marketplace, as well as a steady to higher demand for avocados when compared to the same prior year period.

Partially offsetting the overall increase was a decrease in sales of tomatoes of $17.7 million, or 42.5%, for the year ended October 31, 2011, when compared to the same prior year period. The decrease in sales for tomatoes was primarily due to a decrease in volume by 36.1% when compared to the same prior year period. This significant decrease was mainly due to a freeze in Mexico that resulted in less units in the marketplace. In addition, tomatoes had a decrease in the average selling price per carton of approximately 10.1%, when compared to the same prior year period.

Sales of California sourced avocados decreased $10.3 million, or 6.4%, for the year ended October 31, 2011, when compared to the same prior year period. The decrease in California sourced avocados was due to a decrease of 75.8 million pounds of avocados sold or 47.2%, when compared to the same prior year period. We attribute most of this decrease in volume to the smaller California avocado crop in the current year. Partially offsetting this decrease, California sourced avocado sales reflect an increase in the sales price per carton of approximately 77.1%, when compared to the same prior year period. We attribute this increase primarily to a lower overall volume of avocados in the marketplace, as well as a higher demand for avocados, when compared to the same prior year period.

Calavo Foods

Fiscal 2012 vs. Fiscal 2011:

Sales for Calavo Foods for the year ended October 31, 2012, when compared to the same period for fiscal 2011, increased $1.3 million, or 2.8%. This increase was due primarily to an increase in sales of prepared guacamole products of $0.8 million or 1.8%, an increase in sales of salsa, which increased approximately $0.3 million, or 14.5%, and an increase of sales of tortilla chips, which increased approximately $0.2 million, or 26.3%. The increase in prepared guacamole products was primarily related to a 10.2% increase in the average net selling price per pound for our frozen and refrigerated guacamole products (formerly high-pressure), partially offset by a decrease in overall pounds sold by 7.8%.

Fiscal 2011 vs. Fiscal 2010:

Calavo Foods sales for the year ended October 31, 2011, when compared to the same period for fiscal 2010, decreased $5.1 million, or 10.1%. This decrease in sales primarily relates to a decrease in pounds sold of our prepared guacamole products, which decreased approximately 13.1%. The decrease in pounds sold primarily related to a decrease in the pounds sold of our frozen guacamole products, which decreased approximately 18.5%, and a decrease in the sale of our refrigerated guacamole products (formerly high-pressure, see below), which decreased approximately 6.7% when compared to the same prior year period. In an effort to enhance product safety and quality in the segment, we implemented changes in our food safety standards that added steps in our manufacturing process during the first quarter of fiscal 2011. As a result, there was a temporary disruption, which adversely impacted supply and sales in the segment. In addition, sales were impacted, as substantially all guacamole products are now high-pressured for food safety purposes and that the packaging requested from certain customers does not allow for high pressured products. This resulted in the discontinuance of sales to some high-volume, low-margin customers. The net average selling price increased 4.9% during the year ended October 31, 2011, when compared to the same prior year period. This increase is

primarily related to a change in sales mix and a price increase that went into effect in July 2011 on substantially all products.

RFG

Sales for RFG for the year ended October 31, 2012, when compared to the same prior year period, increased $97.4 million, or 171.7%. As the acquisition was completed on June 1, 2011, only five months of sales are included in fiscal year 2011.

Gross Margins

Our cost of sales 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 $18.3 million, or 43.4%, for the year ended October 31, 2012, when compared to the same period for fiscal 2011. We achieved higher gross margins at all three of our segments.

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

	2012	Change	2011	Change	2010
			(Dollars in thousands)		
Gross Margins:					
Fresh products	$ 34,295	9.6%	$ 31,287	(18.6%)	$ 38,443
Calavo Foods	14,002	107.5%	6,748	(48.4%)	13,087
RFG	12,369	189.5%	4,273	N/A	
Total gross margins	$ 60,666	43.4%	$ 42,308	(17.9%)	$ 51,530
Gross profit percentages:					
Fresh products	9.8%		7.4%		11.0%
Calavo Foods	30.2%		14.9%		26.0%
RFG	8.0%		7.5%		
Consolidated	11.0%		8.1%		12.9%

Fresh products

Fiscal 2012 vs. Fiscal 2011:

During fiscal year 2012, as compared to the same prior year periods, we experienced an overall increase in the Fresh products gross margin percentage. The increase was primarily related to an increase in the gross margin percentage for California and Mexican sourced avocados. The gross margin from California sourced avocados primarily increased due to a significant increase in the volume of California avocados sold for the year ended October 31, 2012, as compared to the same prior year period, which increased 49.7%. This increase was primarily related to the larger California avocado crop for 2012, when compared to prior year. This had the effect of decreasing our fixed per pound costs, which, as a result, positively impacted gross margins. The gross margin from Mexican sourced avocados increased due to lower fruit costs per pound, which decreased by 33.9%, when compared to the same prior year period. We believe this decrease was primarily related to the increase in the availability of avocados in the U.S. marketplace, when compared to the same prior year period. In addition, the U.S. Dollar to Mexican Peso exchange rate strengthened in fiscal year 2012, when compared to the same prior period. All of these combined had the effect of decreasing our per pound costs related to Mexican sourced avocados, which, as a result, positively impacted gross margins.

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 segments.

The gross margin and/or gross profit percentage for consignment sales, including certain Chilean avocados and tomatoes, 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 2012, we generated gross margins of $2.4 million from consigned sales. This is a $1.1 million decrease in gross margin for consigned sales compared to previous year. This decrease is due to a decrease in tomato sales of 52.3% for fiscal 2012, when compared to the same prior year period. The decrease in sales for tomatoes is primarily due to a decrease in the sales price per carton of 52.7%, when compared to the same prior year period. We attribute most of the decrease in the per carton selling price to the higher volume of tomatoes

from all sources in the U.S. marketplace.

Fiscal 2011 vs. Fiscal 2010:

During fiscal year 2011, as compared to the same prior year period, the decrease in our Fresh products segment gross margin percentage was primarily related to higher costs associated with California sourced avocados. This was caused by fewer pounds being sold by approximately 47.2%, increasing our per pound costs, which, as a result, negatively impacted gross margins. This decrease was primarily related to the smaller California avocado crop. Contributing to the decrease in the gross margin percentage was higher Mexican sourced avocado fruit costs year-over-year by approximately 55.2%. We were able to increase the selling prices of Mexican sourced avocados, but not at the same rate at which fruit costs increased. We attribute this increase primarily to a lower overall volume of avocados in the marketplace, in conjunction with a steady-to-higher demand for avocados, when compared to the same prior year period. The combined effect of these negatively impacted gross margins. In addition, despite the recent strengthening of the U.S. Dollar to Mexican Peso exchange rate, on a year to date basis, the U.S. Dollar to Mexican Peso exchange rate weakened during fiscal 2011, when compared to the same prior period. All of these combined 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 and tomatoes, 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 2011, we generated gross margins of $3.5 million from the sale of fresh produce products that were packed by third parties. This is a $2.5 million decrease in gross margin for consigned sales compared to previous year. This decrease is due to a decrease in tomato sales of 42.5% for fiscal 2011, when compared to the same prior year period. The decrease in sales for tomatoes was primarily due to a decrease in volume by 36.1% when compared to the same prior year period. This significant decrease was mainly due to a freeze in Mexico that resulted in less units. In addition, tomatoes had a decrease in the average selling price per carton of approximately 10.1%, when compared to the same prior year period.

Calavo Foods

Fiscal 2012 vs. Fiscal 2011:

Gross profit percentages for Calavo Foods for the year ended October 31, 2012, as compared to the same prior year period, increased primarily as a result of lower fruit and operating costs, partially offset by a decrease in total pounds sold. Fruit costs for the year ended October 31, 2012, decreased 33.9%, when compared to the same prior year period. These decreases in fruit costs are primarily due to the increase in the availability of avocados in the U.S. marketplace, when compared to same prior year period. In addition, the strengthening of the U.S. Dollar compared to the Mexican Peso, year-over-year, decreased our per pound costs. All of these combined had the effect of decreasing our per pound costs, which, as a result, positively impacted gross margins. We anticipate that the gross margin percentage for our Calavo Foods segment will continue to experience significant fluctuations during this fiscal year primarily due to the uncertainty of the cost of fruit that will be used in the production process. In addition, any significant fluctuation in 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 segment.

Fiscal 2011 vs. Fiscal 2010:

Gross profit percentages for Calavo Foods for the year ended October 31, 2011, as compared to the same prior year period, decreased primarily as a result of significantly higher fruit costs. Fruit costs increased 55.2% for the year ended October 31, 2011, when compared to the same prior year period. We attribute this increase primarily to a lower overall volume of avocados in the marketplace, in conjunction with a steady-to-higher demand for avocados, when compared to the same prior year period. As discussed above, material fluctuations in fruit costs can have a significant impact on gross margins in the Calavo Foods segment. The increase in our production costs was primarily related to the aforementioned change (see net sales discussion) in the food safety standards that added steps in our manufacturing process during the first quarter of fiscal 2011. In addition, in the fourth quarter of 2011, our 350L ultra high pressure machine experienced a mechanical failure. This restricted the amount of product that could be produced, which lowered our overall volume and increasing our production costs. We replaced this machine in the first quarter of 2012, and believe our operating capacity to be sufficient to meet our production needs.

In addition, the U.S. Dollar to Mexican Peso exchange rate weakened during fiscal 2011, as compared to the corresponding prior year period. This had the effect of increasing our per pound costs, which, as a result, negatively impacted gross margins.

RFG

Gross profit for RFG for the year ended October 31, 2012, when compared to the same prior year period, increased $8.1 million, or 189.5%. As the acquisition was completed on June 1, 2011, only five months of sales are included in fiscal year 2011.

Selling, General and Administrative

	2012	Change	2011	Change	2010
			(Dollars in thousands)		
Selling, general and administrative[1]	$ 33,128	38.2%	$ 23,976	3.5%	$ 23,168
Percentage of net sales	6.0%		4.6%		5.8%

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 $9.2 million, or 38.2%, for the year ended October 31, 2012, when compared to the same prior year period. This increase was primarily related to the acquisition of RFG which contributed $7.8 million in selling, general and administrative expenses for the year ended October 31, 2012, compared with only $3.1 million being contributed from RFG in prior year. As the acquisition of RFG was completed on June 1, 2011, only five months of selling, general and administrative are included in fiscal year 2011. The remaining is an increase of $4.5 million, which is due to higher corporate costs, including, but not limited to, management bonuses (totaling approximately $3.4 million), an increase in the contingent consideration liability related to the acquisition of RFG (totaling approximately $0.6 million), a decrease in prior year s contingent consideration liability related to the acquisition of CSL (totaling approximately $0.2 million), promotions and advertising (totaling approximately $0.3 million), stock option expense (totaling approximately $0.2 million), depreciation (totaling approximately $0.2 million), and data processing (totaling approximately $ 0.2 million). These increases were partially offset by decreases in legal fees (totaling approximately $0.2 million), broker commissions (totaling approximately $0.2 million), travel and entertainment expenses (totaling approximately $0.1 million), and director s fees (totaling approximately $0.1 million).

Selling, general and administrative expenses increased $0.8 million, or 3.5%, for the year ended October 31, 2011, when compared to the same prior year period. This increase was primarily related to the acquisition of RFG which contributed $3.1 million in selling, general and administrative expenses for the year ended October 31, 2011. The remaining is a decrease of $2.3 million, which is due to lower corporate costs, including, but not limited to, management bonuses (totaling approximately $3.2 million), and a decrease in the contingent consideration liability related to the acquisition of CSL (totaling approximately $0.6 million), partially offset by increases in salaries and employee benefits (totaling approximately $1.2 million), and broker commission (totaling approximately $0.3 million).

Interest Income

	2012	Change	2011	Change	2010
			(Dollars in thousands)		
Interest income	$ 229	19.9%	$ 191	(30.3%)	$ 274
Percentage of net sales	0.0%		0.0%		0.1%

Interest income was primarily generated from loans to growers. The increase in interest income in fiscal 2012 as compared to 2011 is due to the payments on the principal balances for infrastructure advances to Agricola Belher being deferred until 2013.

Interest Expense

	2012	Change	2011	Change	2010
			(Dollars in thousands)		
Interest expense	$ 1,152	13.4%	$ 1,016	21.8%	$ 834
Percentage of net sales	(0.2%)		(0.2%)		(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 2012, as compared to fiscal 2011, the increase in interest expense was primarily related to a higher average outstanding balance on our non-collateralized, revolving credit facilities with FCW and BoA.

In 2011, we entered into a loan agreement with FCW in connection with the acquisition of RFG. For fiscal 2011, as compared to fiscal 2010, the increase in interest expense was primarily related to a higher average outstanding balance under our term loan agreements and our non-collateralized, revolving credit facilities with FCW and BoA.

Other Income, Net

	2012	Change	2011	Change	2010
	(Dollars in thousands)				
Other income, net	$ 887	533.6%	$ 140	(67.4)%	$ 430
Percentage of net sales	0.2%		0.0%		0.1%

Other income, net includes dividend income, as well as certain other transactions that are outside of the normal course of operations. During fiscal year 2012, we agreed to sell to San Rafael all of our interest, representing one-half ownership, in Maui. This transaction resulted in a gain on sale of approximately $0.5 million, and was recorded as other income. During fiscal 2012, 2011, and 2010, we received $0.2 million as dividend income from Limoneira. Partially offsetting dividend income within other income for fiscal year 2011 was the disposal of Property, Plant and Equipment not fully amortized for a loss of approximately $0.1 million.

Provision for Income Taxes

	2012	Change	2011	Change	2010
	(Dollars in thousands)				
Provision for income taxes	$ 11,055	52.5%	$ 7,249	(36.1)%	$ 11,341
Percentage of income before provision for income taxes	39.5%		39.8%		39.1%

As previously disclosed, during the third quarter of fiscal year 2012, we received an update from our outside legal counsel regarding the Hacienda s examination of the tax year ended December 31, 2004. The appellate court, via a second resolution, upheld the lower court s decision on two outstanding tax assessments from the Hacienda for which we had previously received unfavorable rulings. Management, as well as our outside legal counsel, still believes the company s position was correct.

Based on discussions with our outside legal counsel in Mexico, however, we did not believe we would be able to appeal this decision any further (i.e. to the Mexican Supreme Court) and, as a result, were forced to pay an assessment. The income tax assessment related to these allegations amounted to $1.8 million. The payment related to this tax assessment was paid during our third fiscal quarter. This had the effect of increasing our effective income tax rate for fiscal 2012.

Substantially offsetting the impact of this assessment on our tax provision are tax benefits recognized due to a shift of income between taxing jurisdictions, tax credits received through California s Enterprise Zone Hiring Credit Program (EZC) and an increase in the Section 199 deduction. We expect to continue to receive tax benefits related to the shift of income between taxing jurisdictions, as well as the EZC credits, during fiscal 2013.

The effective income tax rate for fiscal years 2012 and 2011 is higher than the federal statutory rate principally due to state and foreign taxes.

Quarterly Results of Operations

The following table presents our operating results for each of the eight fiscal quarters in the period ended October 31, 2012. 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 lesser number of California avocados in our first fiscal quarter.

	Three months ended							
	Oct. 31, 2012	July 31, 2012	Apr. 30, 2012	Jan. 31, 2012	Oct. 31, 2011	July 31, 2011	Apr. 30, 2011	Jan. 31, 2011
	(in thousands, except per share amounts)							
Statement of Operations Data								
Net sales	$ 141,552	$ 153,181	$ 138,992	$ 117,394	$ 147,349	$ 165,141	$ 118,720	$ 91,319
Cost of sales	123,696	136,968	124,297	105,492	134,145	153,902	109,386	82,788
Gross margin	17,856	16,213	14,695	11,902	13,204	11,239	9,334	8,531
Selling, general and administrative	10,258	7,758	7,618	7,494	6,808	6,743	5,549	4,876
Operating income	7,598	8,455	7,077	4,408	6,396	4,496	3,785	3,655
Other income (expense), net	494	(127)	158	(61)	(268)	(105)	223	22
Income before provision for income taxes	8,092	8,328	7,235	4,347	6,128	4,391	4,008	3,677
Provision for income taxes	1,976	2,684	4,700	1,695	2,540	1,689	1,634	1,386
Net income	6,116	5,644	2,535	2,652	3,588	2,702	2,374	2,291
Add: Net loss-noncontrolling interest	44	21	13	27	51	11	30	21
Net income-Calavo Growers, Inc	$ 6,160	$ 5,665	$ 2,548	$ 2,679	$ 3,639	$ 2,713	$ 2,404	$ 2,312
Basic	$ 0.42	$ 0.38	$ 0.17	$ 0.18	$ 0.25	$ 0.18	$ 0.16	$ 0.16
Diluted	$ 0.42	$ 0.38	$ 0.17	$ 0.18	$ 0.25	$ 0.18	$ 0.16	$ 0.16
Number of shares used in per share computation:								
Basic	14,795	14,787	14,787	14,772	14,769	14,755	14,726	14,723
Diluted	14,822	14,806	14,802	14,789	14,781	14,767	14,734	14,736

Liquidity and Capital Resources

Operating activities for fiscal 2012, 2011 and 2010 provided cash flows of $21.7 million, $7.9 million, and $20.0 million. Fiscal year 2012 operating cash flows reflect our net income of $16.9 million, net 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 $5.3 million and a net decrease from changes in the non-cash components of our working capital accounts of approximately $0.5 million.

Fiscal year 2012 decreases in operating cash flows, caused by working capital changes, includes an increase in inventory of $5.2 million, an increase in accounts receivable of $2.8 million, and an increase in prepaid expenses and other current assets of $0.6 million, partially offset by a decrease in payable to growers of $3.4 million, a decrease in trade accounts payable and accrued expenses of $3.2 million, a decrease in advances to suppliers of $1.0 million and a decrease in income tax receivable of $0.5 million.

The increase in our inventory balance is primarily related to an increase in Mexico avocado inventory on hand at October 31, 2012, as compared to the same prior year period. The increase in our accounts receivable balance as of October 31, 2012, when compared to October 31, 2011, primarily reflects more California and Mexican sourced avocado sales recorded in the month of October 2012, as compared to October 2011. The increase in prepaid expenses and other current assets is primarily due to the current portion of the note receivable issued related to the sale of Maui to San Rafael. The increase in payable to our growers primarily reflects an increase in California fruit delivered in the month of October 2012, as compared to the month of October 2011. The increase in our trade accounts payable and accrued expenses primarily reflect a contingent consideration accrual related to our acquisition of RFG (see Note 16 to our Consolidated Financial Statements). The decrease in advances to

suppliers is primarily due to a decrease in pre-season advances to our tomato grower Agricola Belher.

Cash used in investing activities was $7.2 million, $20.9 million, and $9.5 million for fiscal years 2012, 2011, and 2010. Fiscal year 2012 cash flows used in investing activities include capital expenditures of $7.8 million. Such payments were partially offset by distributions received of $0.3 million throughout the year from our joint venture Maui and proceeds received of $0.3 million related to the sale of Maui to San Rafael.

Cash used in financing activities was $10.2 million for fiscal year 2012. Cash provided by financing activities was $14.8 million for fiscal year 2011. Cash used in financing activities was $10.3 million for fiscal year 2010. Cash used during fiscal year 2012 primarily related to the payment of a dividend of $8.1 million and payments on long-term debt obligations of $5.2 million Partially offsetting these proceeds, however, includes proceeds from our non-collateralized, revolving credit facilities totaling $2.3 million, and $0.8 million provided by the exercise of stock options.

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, 2012 and 2011 totaled $7.1 million and $2.8 million. Our working capital at October 31, 2012 was $9.7 million, compared to $8.6 million at October 31, 2011.

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. 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. This increase was at our request and not due to any immediate cash flows needs.

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 1.8% and 1.6% at October 31, 2012 and 2011. Under these credit facilities, we had $20.2 million and $17.9 million outstanding as October 31, 2012 and 2011. 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, 2012.

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, 2012:

	Payments due by period				
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Long-term debt obligations (including interest)	$ 19,593	$ 5,944	$ 10,901	$ 2,287	$ 461
Revolving credit facilities	20,170	20,170			
Defined benefit plan	245	38	76	76	55
Operating lease commitments	17,210	2,656	5,046	3,915	5,593
Total	$ 57,218	$ 28,808	$ 16,023	$ 6,278	$ 6,109

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.

Potential Cash Requirements for RFG Acquisition

If RFG earnings before interest, taxes, depreciation and amortization (EBITDA) for any 12-month period commencing after the closing date (June 1, 2011) and ending prior to the fifth anniversary of such closing date are equal to or greater than $8 million, and RFG has concurrently reached a corresponding revenue achievement, we have agreed to pay $5 million in cash and to issue 827,000 shares of unregistered Calavo common stock, representing total consideration of approximately $24 million (based on the per share

common stock price of $23 as agreed to per the acquisition agreement). This represents the maximum that can be awarded pursuant to the 1st earn-out payment. In the event that the maximum EBITDA and revenue achievements have not been reached within five years after the closing date, but RFG s 12-month EBITDA during such period equals or exceeds $6 million and RFG has concurrently reached a corresponding revenue achievement, a sliding-scale, as defined, will be used to calculate payment. The minimum amount to be paid in the sliding-scale related to the 1st earn-out payment is approximately $14 million, payable in both cash and shares of unregistered Calavo common stock. RFG has five years to achieve any consideration pursuant to the 1st earn-out payment.

Assuming that the maximum earn-out payment has been achieved in the 1st earn-out payment, if RFG s EBITDA, for a 15-month period commencing after the closing date and ending prior to the fifth anniversary of the closing date, is equal to or greater than $15 million for each of the 12-month periods therein, and RFG has concurrently reached a corresponding revenue achievement, we have agreed to pay $50 million in cash and to issue 434,783 shares of unregistered Calavo common stock, representing total consideration of approximately $60 million (based on the per share common stock price of $23 as agreed to per the acquisition agreement). This represents the maximum that can be awarded pursuant to the 2nd earn-out payment. In the event that the maximum EBITDA and revenue achievements have not been reached within five years after the closing date, but RFG s 12-month EBITDA during such period equals or exceeds $10 million, and RFG has concurrently reached a corresponding revenue achievement, a sliding scale will be used to calculate payment. The minimum amount to be paid in the sliding-scale related to the 2nd earn-out payment is approximately $27 million, payable in both cash and shares of unregistered Calavo common stock. RFG has five years to achieve any consideration pursuant to the 2nd earn-out payment. No payment will be made under the contingent earn-out provisions of the RFG acquisition agreement if the EBITDA and revenue targets are not met.

See the following table for the corresponding minimum and maximum payments, both cash and common stock, which could be paid via the 1st and 2nd earn-outs (in 000s):

	1st Earn-out, Minimum	1st Earn-out, Maximum	2nd Earn-Out, Minimum	2nd Earn-Out, Maximum
Cash	$ 2,917	$ 5,000	$ 16,657	$ 50,000
Common stock (# of shares)	482	827	435	435

Recently Adopted Accounting Pronouncements

In December 2010, the FASB issued an update to modify Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. The qualitative factors are consistent with the existing guidance, which requires that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The adoption of this accounting guidance did not have a material impact on our financial statements.

Recently Issued Accounting Standards

In June 2011, the FASB issued guidance regarding the presentation of comprehensive income. The new standard requires the presentation of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The new standard also requires presentation of adjustments for items that are reclassified from other comprehensive income to net income in the statement where the components of net income and the components of other comprehensive income are presented. The updated guidance is effective on a retrospective basis for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011. The adoption of this standard will have no impact on our financial statements.

In December 2011, the FASB issued guidance to defer the effective date for those aspects relating to the presentation of reclassification adjustments out of accumulated other comprehensive income. The adoption of this standard will have no impact on our financial statements.

In May 2011, the FASB issued additional guidance on fair value measurements that clarifies the application of existing guidance and disclosure requirements, changes certain fair value measurement principles and requires additional disclosures about fair value

measurements. The updated guidance is effective on a prospective basis for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011. The adoption of this guidance will not have a material impact on our financial statements.

In July 2012, the FASB issued additional guidance to simplify the assessment of testing the impairment of indefinite-lived intangible assets other than goodwill and will become effective for fiscal years beginning after September 15, 2012. The amended guidance allows us to do an initial qualitative assessment to determine whether it is more likely than not that the fair value of its indefinite-lived intangible assets are less than their carrying amounts prior to performing the quantitative indefinite-lived intangible asset impairment test. The adoption of this amendment will not have a material effect on our financial statements.

Item 7A. 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, 2012.

	Expected maturity date October 31,							
(All amounts in thousands)	2013	2014	2015	2016	2017	Thereafter	Total	Fair Value
Assets								
Cash and cash equivalents (1)	$ 7,103	$	$	$	$	$	$ 7,103	$ 7,103
Accounts receivable (1)	38,870						38,870	38,870
Advances to suppliers (1)	2,369						2,369	2,369
Liabilities								
Payable to growers (1)	$ 8,475	$	$	$	$	$	$ 8,475	$ 8,475
Accounts payable (1)	7,898						7,898	7,898
Current borrowings pursuant to credit facilities (1)	20,170						20,170	20,170
Fixed-rate long-term obligations (2)	5,416	5,415	4,940	2,134	108	442	18,455	18,811

(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 5.7% with a weighted-average interest rate of 3.0%. 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 $395,000.

Except as disclosed in Note 2, we were not a party to any derivative instruments during the fiscal year. It is currently our intent not to use derivative instruments for speculative or trading purposes. Additionally, we do not use any hedging or forward contracts to offset market volatility.

Our Mexican-based operations transact business in Mexican pesos. 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 2013. Total foreign currency gains for fiscal 2012, net of losses was $0.1 million. Total foreign currency losses for fiscal 2011, net of gains, was less than $0.1 million. Total foreign currency losses for fiscal 2010, net of gains was $0.1 million.

For the fiscal year ended October 31, 2012

Item 8. Financial Statements and Supplementary Data

CALAVO GROWERS, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands)

	October 31, 2012	October 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 7,103	$ 2,774
Accounts receivable, net of allowances of $3,221 (2012) and $2,285 (2011)	38,870	36,101
Inventories, net	22,948	17,787
Prepaid expenses and other current assets	7,190	6,220
Advances to suppliers	2,369	3,349
Income taxes receivable	2,762	3,111
Deferred income taxes	2,222	2,136
Total current assets	83,464	71,478
Property, plant, and equipment, net	50,562	47,091
Investment in Limoneira Company	38,841	29,991
Investment in unconsolidated entities	520	2,292
Goodwill	18,262	18,349
Other assets	16,242	16,122
	$ 207,891	$ 185,323
Liabilities and shareholders equity		
Current liabilities:		
Payable to growers	$ 8,475	$ 5,081
Trade accounts payable	7,898	7,038
Accrued expenses	22,237	19,285
Short-term borrowings	20,170	17,860
Dividend payable	9,612	8,123
Current portion of long-term obligations	5,416	5,448
Total current liabilities	73,808	62,835
Long-term liabilities:		
Long-term obligations, less current portion	13,039	18,244
Deferred income taxes	10,665	8,002
Total long-term liabilities	23,704	26,246
Commitments and contingencies		
Noncontrolling interest	357	462
Shareholders equity:		
Common stock ($0.001 par value, 100,000 shares authorized; 14,824 and 14,770 shares outstanding at October 31, 2012 and 2011)	14	14
Additional paid-in capital	51,276	49,929
Accumulated other comprehensive income	9,390	3,935
Retained earnings	49,342	41,902
Total shareholders equity	110,022	95,780
	$ 207,891	$ 185,323

See accompanying notes to consolidated financial statements.

CALAVO GROWERS, INC.

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share amounts)

	Year Ended October 31,		
	2012	**2011**	**2010**
Net sales	$ 551,119	$ 522,529	$ 398,351
Cost of sales	490,453	480,221	346,821
Gross margin	60,666	42,308	51,530
Selling, general and administrative	33,128	23,976	23,168
Operating income	27,538	18,332	28,362
Equity in earnings from unconsolidated entities	500	557	749
Interest income	229	191	274
Interest expense	(1,152)	(1,016)	(834)
Other income, net	887	140	430
Income before provision for income taxes	28,002	18,204	28,981
Provision for income taxes	11,055	7,249	11,341
Net income	16,947	10,955	17,640
Add: Net loss attributable to noncontrolling interest	105	113	124
Net income attributable to Calavo Growers, Inc.	$ 17,052	$ 11,068	$ 17,764
Calavo Growers, Inc. s net income per share:			
Basic	$ 1.15	$ 0.75	$ 1.22
Diluted	$ 1.15	$ 0.75	$ 1.22
Number of shares used in per share computation:			
Basic	14,786	14,743	14,610
Diluted	14,814	14,751	14,619

See accompanying notes to consolidated financial statements.

CALAVO GROWERS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

	Year ended October 31,		
	2012	**2011**	**2010**
Net income	$ 16,947	$ 10,955	$ 17,640
Other comprehensive income (loss), before tax:			
Unrealized investment gains (losses) arising during period	8,850	(4,996)	10,786
Income tax benefit (expense) related to items of other comprehensive income (loss)	(3,395)	1,972	(4,293)
Other comprehensive income (loss), net of tax	5,455	(3,024)	6,493
Comprehensive income	22,402	7,931	24,133
Add: Net loss attributable to noncontrolling interest	105	113	124
Comprehensive income Calavo Growers, Inc.	$ 22,507	$ 8,044	$ 24,257

See accompanying notes to consolidated financial statements.

CALAVO GROWERS, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

(in thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total
	Shares	Amount				
Balance, October 31, 2009	14,505	14	39,714	466	29,293	69,487
Exercise of stock options and income tax benefit of $664	207		2,553			2,553
Stock compensation expense			52			52
Unrealized gain on Limoneira investment, net				6,493		6,493
Dividend declared to shareholders					(8,092)	(8,092)
Net income attributable to Calavo Growers, Inc.					17,764	17,764
Balance, October 31, 2010	14,712	14	42,319	6,959	38,965	88,257
Exercise of stock options and income tax benefit of $26	15		239			239
Stock compensation expense			188			188
Unrealized loss on Limoneira investment, net				(3,024)		(3,024)
Acquisition of RFG	43		7,183			7,183
Dividend declared to shareholders					(8,131)	(8,131)
Net income attributable to Calavo Growers, Inc.					11,068	11,068
Balance, October 31, 2011	14,770	14	49,929	3,935	41,902	95,780
Exercise of stock options and income tax benefit of $139	54		930			930
Stock compensation expense			417			417
Unrealized gain on Limoneira investment, net				5,455		5,455
Dividend declared to shareholders					(9,612)	(9,612)
Net income attributable to Calavo Growers, Inc.					17,052	17,052
Balance, October 31, 2012	14,824	$ 14	$ 51,276	$ 9,390	$ 49,342	$ 110,022

See accompanying notes to consolidated financial statements.

CALAVO GROWERS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year Ended October 31,		
	2012	2011	2010
Cash Flows from Operating Activities:			
Net income	$ 16,947	$ 10,955	$ 17,640
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	5,909	4,327	3,368
Provision for losses on accounts receivable	68	64	38
Income from unconsolidated entities	(501)	(557)	(749)
Interest on contingent consideration	128	101	62
Revalue adjustment on contingent consideration	420	(535)	
Stock compensation expense	417	188	52
Loss on disposal of property, plant, and equipment	136	139	
Gain on sale of Maui Fresh International	(519)		
Goodwill impairment on Calavo Salsa Lisa	87		
Deferred income taxes	(818)	1,907	1,332
Effect on cash of changes in operating assets and liabilities:			
Accounts receivable	(2,837)	4,270	(9,353)
Inventories, net	(5,161)	(2,137)	(3,006)
Prepaid expenses and other current assets	(639)	1,936	(2,544)
Advances to suppliers	980	(1,751)	1,025
Income taxes receivable	462	(1,933)	765
Other assets	14	(12)	(25)
Payable to growers	3,394	(4,902)	8,645
Trade accounts payable and accrued expenses	3,236	(4,194)	2,729
Net cash provided by operating activities	21,723	7,866	19,979
Cash Flows from Investing Activities:			
Acquisitions of property, plant, and equipment	(7,749)	(4,826)	(4,767)
Loan to Agricola Belher		(3,000)	
Distribution from unconsolidated entity	288	281	116
Proceeds from sale of Maui Fresh International	300		
Acquisition of Renaissance Food Group, net of cash acquired		(13,362)	
Acquisition of Hawaiian Sweet and Pride, net of cash acquired			(4,500)
Acquisition of Calavo Salsa Lisa, net of cash acquired			(351)
Net cash used in investing activities	(7,161)	(20,907)	(9,502)
Cash Flows from Financing Activities:			
Payment of dividend to shareholders	(8,123)	(8,100)	(7,252)
Proceeds from revolving credit facility, net	2,310	9,710	1,580
Proceeds from issuance of long-term obligations		22,135	
Payments on long-term obligations	(5,237)	(9,871)	(6,766)
Proceeds from stock option exercises	791	213	1,889
Tax benefit of stock option exercises	26	664	261
Net cash provided by (used in) financing activities	(10,233)	14,751	(10,288)
Net increase in cash and cash equivalents	4,329	1,710	189
Cash and cash equivalents, beginning of year	2,774	1,064	875
Cash and cash equivalents, end of year	$ 7,103	$ 2,774	$ 1,064

Supplemental Information:						
Cash paid during the year for:						
Interest	$	1,146	$	985	$	850
Income taxes	$	9,274	$	6,313	$	8,845
Noncash Investing and Financing Activities:						
Tax receivable increase related to stock option exercise	$	139	$	26	$	664
Declared dividends payable	$	9,612	$	8,123	$	8,092
Notes receivable issued for sale of Maui Fresh International	$	2,204				
Construction in progress included in trade accounts payable and accrued expenses	$	28	$	36	$	32
Collection for Agricola Belher Infrastructure Advance	$		$	1,225	$	1,781
Unrealized holding gains (losses)	$	8,850	$	(4,996)	$	10,786

In June 2011, we acquired all of the outstanding interest of Renaissance Food Group, LLC (See Note 16). The following table summarizes, fair values of the non-cash assets acquired, liabilities assumed and equity issued at the date of acquisition (in thousands):

At June 1, 2011

Current assets, excluding cash	$ 9,623
Property, plant, and equipment	4,580
Goodwill	14,264
Other assets	117
Intangible assets	8,690
Total assets acquired	37,274
Current liabilities	(12,292)
Contingent consideration	(7,774)
Long-term obligations	(2,894)
Additional paid-in capital	(952)
Net non-cash assets acquired	$ 13,362

CALAVO GROWERS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS-CONTINUED

(in thousands)

In February 2010, we entered into an asset purchase and contribution agreement in which we acquired a 65 percent ownership interest in Calavo Salsa Lisa, LLC which acquired substantially all of the assets of Lisa s Salsa Company. The following table summarizes the fair values of the non-cash assets acquired and liabilities assumed at the date of acquisition (in thousands):

	At February 8, 2010
Current assets, excluding cash	$ 214
Property, plant, and equipment	321
Goodwill	88
Intangible assets	1,950
Total assets acquired	2,573
Current liabilities	(55)
Noncontrolling interest	(699)
Contingent consideration	(1,468)
Net non-cash assets acquired	$ 351

See accompanying notes to consolidated financial statements.

CALAVO GROWERS, INC.

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 Chile. Through our various operating facilities, we sort, pack, and/or ripen avocados, tomatoes and/or Hawaiian grown papayas. Additionally, we also produce salsa and prepare ready-to-eat produce and deli products.

During the second quarter of 2012, we increased the number of our reportable segments. Renaissance Food Group, LLC (RFG), which was previously included in our Calavo Foods segment, has now been separated as a segment of its own. Accordingly, we now have three reportable operating segments, (1) Fresh products, (2) Calavo Foods, and (3) RFG. Segment results of the prior period have been reclassified to reflect these changes. Beginning with the second quarter of 2012, our Chief Executive Officer reviews our business as having three reportable segments. The change in segments was made as RFG ceased having similar economic characteristics to products included in our Calavo Foods segment.

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., Calavo Inversiones (Chile) Limitada, Hawaiian Sweet, Inc. (HS) and Hawaiian Pride, LLC (HP). In addition, we consolidate our entity Calavo Salsa Lisa, LLC (CSL), in which we have a 65 percent ownership interest. In addition, we consolidate our newly acquired entity Renaissance Food Group, LLC (RFG). See Note 16 for discussion regarding our acquisition of RFG. 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 $5.2 million and $4.5 million at October 31, 2012 and 2011. Infrastructure advances are discussed below. Prepaid expenses of $1.2 million and $0.9 million at October 31, 2012 and 2011, 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. We performed our annual assessment of goodwill and determined that an impairment of $0.1 million existed related to the acquisition of CSL. This impairment was a result of less than anticipated sales since acquisition, and a forecast projection analysis with the consultation from a third party consulting firm. The impairment was recorded in cost of goods sold. No other impairments were noted as of October 31, 2012.

The following table reconciles by segment goodwill and the impairment losses recognized for the year ended October 31, 2011 and 2012 (in thousands):

	Fresh products	Calavo Foods	RFG	Total
Goodwill, beginning November 1, 2010	$ 3,997	$ 87	$	$ 4,084
Goodwill addition from RFG acquisition			14,265	14,265
Goodwill, ending October 31, 2011	3,997	87	14,265	18,349
Calavo Salsa Lisa Goodwill impairment losses		(87)		(87)
Goodwill, October 31, 2012	$ 3,997	$	$ 14,265	$ 18,262

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. We have evaluated our long-lived assets and noted no impairments as of October 31, 2012.

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 August 2006, we entered into a joint venture agreement with San Rafael Distributing (SRD) for the purpose of the wholesale marketing, sale and distribution of fresh produce from the existing location of SRD at the Los Angeles Wholesale Produce Market (Terminal Market), located in Los Angeles, California. Such joint venture operated under the name of Maui Fresh International, LLC (Maui Fresh) and commenced operations in August 2006. SRD and Calavo each had an equal one-half ownership interest in Maui Fresh, but SRD had overall management responsibility for the operations of Maui Fresh at the Terminal Market. We used the equity method to account for this investment.

On October 31, 2012, we entered into a Sale of LLC Interest Agreement with SRD, pursuant to which the Company 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. See Note 17 for further information about the sale of Maui Fresh.

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 de Chile and commenced operations in July 2009. M5 and Calavo each have an equal one-half ownership interest in Calavo de Chile, but M5 has overall management responsibility for the operations of Calavo De Chile. We use the equity method to account for this investment.

Marketable Securities

Our marketable securities consist of our investment in Limoneira Company (Limoneira) stock. We currently own approximately 15% of Limoneira s outstanding common stock. These securities 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 $38.8 million, $23.5 million and $15.3 million as of October 31, 2012. The estimated fair value, cost, and gross unrealized gain related to such investment was $30.0 million, $23.5 million and $6.5 million as of October 31, 2011.

Advances to Suppliers

We advance funds to third-party growers primarily in Chile and 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, 2012, nor October 31, 2011.

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, 2012 and 2011, we have total advances of $2.1 million and $3.0 million to Belher pursuant to this agreement, 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, 2012 and 2011. Pursuant to the revised/amended agreement discussed above, we advanced Belher $3.0 million during fiscal 2011, which was used to build 47 hectares (approximately 116 acres) of shade-cloth/green house construction. As of October 31, 2012 and 2011, we have advanced a total of $4.2 million ($0.8 million included in prepaid expenses and other current assets and $3.4 million included in other long-term assets). Belher is to annually repay these advances in no less than 20% increments through July 2016. 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. Based on an unusually poor tomato season, Belher did not make a payment in fiscal 2012 pursuant to such agreement. Both parties agreed to defer such payment until 2013. 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, 2012 and 2011 are uninvoiced receipts of approximately $3.1 million and $4.1 million.

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 limited 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, 2012, 2011 and 2010 in the financial statements pursuant to consignment arrangements are as follows (in thousands):

	2012	**2011**	**2010**
Sales	$ 28,297	$ 38,327	$ 54,736
Cost of Sales	25,893	34,859	48,713
Gross Margin	$ 2,404	$ 3,468	$ 6,023

Advertising Expense

Advertising costs are expensed when incurred. Such costs in fiscal 2012 were approximately $0.2 million. For fiscal 2011 and 2010, such costs were approximately $0.1 million.

Other Income, Net

Included in other income, net is dividend income totaling $0.4 million, $0.3 million and $0.3 million for fiscal years 2012, 2011, and 2010. 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. The basic weighted-average number of common shares outstanding was 14,786,000, 14,743,000, and 14,610,000 for fiscal years 2012, 2011, and 2010. 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, which were 28,000, 8,000, and 9,000 for fiscal years 2012, 2011 and 2010. There were no anti-dilutive options for fiscal years 2012, 2011 and 2010.

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 year 2012. The following assumptions were used in the estimated grant date fair value calculations for stock options issued in 2011 and 2010:

	2011	**2010**
Risk-free interest rate	0.96% - 1.40%	1.70%
Expected volatility	32.63% - 60.00%	47.37%
Dividend yield	2.5%	2.5%
Expected life (years)	1.5 - 4.0	4.0

For the years ended October 31, 2012, 2011 and 2010, we recognized compensation expense of $417,000, $188,000, and $52,000 related to stock-based compensation. See Note 13 for further information.

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 gains for fiscal 2012, net of losses, was $0.1 million. Total foreign currency losses for fiscal 2011, net of gains, was less than $0.1 million. Total foreign currency losses for fiscal 2010, net of gains was $0.1 million.

Fair Value of Financial Instruments

We believe that the carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable approximates fair value based on either their short-term nature or on terms currently available to the Company in financial markets. We believe that our fixed-rate long-term obligations have a fair value of approximately $18.8 million as of October 31, 2012, with a corresponding carrying value of approximately $18.5 million.

Derivative Financial Instruments

Except as disclosed with the acquisition of Calavo Salsa Lisa, we were not a party to any derivative instruments during the fiscal year 2012. 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.

Recently Adopted Accounting Pronouncements

In December 2010, the FASB issued an update to modify Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. The qualitative factors are consistent with the existing guidance, which requires that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The adoption of this accounting guidance did not have a material impact on our financial statements.

Recently Issued Accounting Standards

In June 2011, the FASB issued guidance regarding the presentation of comprehensive income. The new standard requires the presentation of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The new standard also requires presentation of adjustments for items that are reclassified from other comprehensive income to net income in the statement where the components of net income and the components of other comprehensive income are presented. The updated guidance is effective on a retrospective basis for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011. The adoption of this standard will have no impact on our financial statements.

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In December 2011, the FASB issued guidance to defer the effective date for those aspects relating to the presentation of reclassification adjustments out of accumulated other comprehensive income. The adoption of this standard will have no impact on our financial statements.

In May 2011, the FASB issued additional guidance on fair value measurements that clarifies the application of existing guidance and disclosure requirements, changes certain fair value measurement principles and requires additional disclosures about fair value measurements. The updated guidance is effective on a prospective basis for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011. The adoption of this guidance will not have a material impact on our financial statements.

In July 2012, the FASB issued additional guidance to simplify the assessment of testing the impairment of indefinite-lived intangible assets other than goodwill and will become effective for fiscal years beginning after September 15, 2012. The amended guidance allows us to do an initial qualitative assessment to determine whether it is more likely than not that the fair value of its indefinite-lived intangible assets are less than their carrying amounts prior to performing the quantitative indefinite-lived intangible asset impairment test. The adoption of this amendment will not have a material effect 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, 2012, other comprehensive income includes the unrealized gain on our Limoneira investment totaling $5.5 million, net of income taxes. Limoneira s stock price at October 31, 2012 equaled $22.47 per share. For the fiscal year ended October 31, 2011, other comprehensive income includes the unrealized loss on our Limoneira investment totaling $3.0 million, net of income taxes. Limoneira s stock price at October 31, 2011 equaled $17.35 per share. For the fiscal year ended October 31, 2010, other comprehensive income includes the unrealized gain on our Limoneira investment totaling $6.5 million, net of income taxes. Limoneira s stock price at October 31, 2010 equaled $20.24 per share, after a 10 for 1 stock split in the second quarter of fiscal year 2010.

Noncontrolling Interest

On February 8, 2010, Calavo, Calavo Salsa Lisa, LLC (CSL), Lisa s Salsa Company (LSC) and Elizabeth Nicholson and Eric Nicholson, entered into an Asset Purchase and Contribution Agreement, dated February 8, 2010, which sets forth the terms and conditions pursuant to which Calavo acquired a 65 percent ownership interest in CSL. Elizabeth Nicholson and Eric Nicholson, through LSC, hold the remaining 35 percent ownership of CSL. This purchase agreement created noncontrolling interest for the 35 percent ownership that LSC has for CSL.

The following table reconciles shareholders equity attributable to noncontrolling interest (in thousands):

	Year ended October 31, 2012	Year ended October 31, 2011
Noncontrolling interest, beginning	$ 462	$ 575
Net loss attributable to noncontrolling interest	(105)	(113)
Noncontrolling interest, ending	$ 357	$ 462

Reclassifications

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

3. Inventories

Inventories consist of the following (in thousands):

	October 31, 2012	October 31, 2011
Fresh fruit	$ 10,776	$ 6,588
Packing supplies and ingredients	7,294	5,610
Finished prepared foods	4,878	5,589
	$ 22,948	$ 17,787

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 2012 and 2011.

4. Property, Plant, and Equipment

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

	October 31, 2012	October 31, 2011
Land	$ 7,023	$ 7,023
Buildings and improvements	19,756	18,279
Leasehold improvements	1,395	1,315
Equipment	46,980	50,511
Information systems hardware and software	8,346	4,479
Construction in progress	512	4,426
	84,012	86,033
Less accumulated depreciation and amortization	(33,450)	(38,942)
	$ 50,562	$ 47,091

Depreciation expense was $4.2 million, $3.2 million and $2.8 million for fiscal years 2012, 2011, and 2010, of which $0.6 million was related to depreciation on capital leases for fiscal year 2012. Depreciation related to capital leases were $0.2 million for fiscal years 2011, and 2010.

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. Beginning in fiscal year 2010, we began the process of converting to a new accounting software system, which is recorded into construction in progress. The total capitalized computer software costs related to this new accounting software system was $3.3 million, $2.3 million and $1.7 million as of October 31, 2012, 2011 and 2010. At October 31, 2012 we have significantly completed our conversion to our new accounting software.

5. Other Assets

Other assets consist of the following (in thousands):

	October 31, 2012	October 31, 2011
Intangibles, net	$ 9,328	$ 10,771
Grower advances	1,234	1,531
Loan to Agricola Belher	3,380	3,380
Notes receivable from San Rafael	1,873	
Other	427	440
	$ 16,242	$ 16,122

On October 31, 2012, we entered into a Sale Agreement with San Rafael, pursuant to which the Company has agreed to sell to San Rafael all of our interest, representing one-half ownership, in Maui Fresh International for $2.6 million. See Note 17 for further information regarding the sale of Maui Fresh.

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

		October 31, 2012			October 31, 2011		
	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	$ (1,405)	$ 6,235	$ 7,640	$ (445)	$ 7,195
Trade names	8.4 years	3,009	(1,489)	1,520	3,009	(1,207)	1,802
Trade secrets/recipes	11.9 years	1,520	(366)	1,154	1,520	(205)	1,315
Brand name intangibles	indefinite	275		275	275		275
Non-competition agreements	5.0 years	267	(123)	144	267	(83)	184
Intangibles, net		$ 12,711	$ (3,383)	$ 9,328	$ 12,711	$ (1,940)	$ 10,771

We recorded amortization expense of approximately $1.4 million, $0.8 million, and $0.3 million for fiscal years 2012, 2011, and 2010. We anticipate recording amortization expense of approximately $1.4 million for each of the fiscal years 2013 through 2015. We anticipate recording amortization expense of approximately $1.3 million for fiscal year 2016. We anticipate recording amortization expense of approximately $1.2 million for fiscal year 2017. The remainder of approximately $2.3 million will be amortized over fiscal years 2018 through 2023. See Note 16 for discussion regarding our acquisition of Renaissance Food Group, LLC.

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. This increase was at our request and not due to any immediate cash flows needs.

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. This increase was at our request and not due to any immediate cash flows needs.

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 1.8% and 1.6% at October 31,

2012 and 2011. Under these credit facilities, we had $20.2 million and $17.9 million outstanding as October 31, 2012 and 2011. 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, 2012.

7. Employee Benefit Plans

We sponsor two defined contribution retirement plans for salaried and hourly employees. As a result of the acquisition of RFG, we have three additional defined contribution retirement plans bringing the total to five. Expenses for these plans approximated $810,000, $733,000, and $639,000 for fiscal years 2012, 2011 and 2010, 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 $16,000, $35,000 and $34,000 for the year ended October 31, 2012, 2011, and 2010. 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):

	2012	2011
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	$ 268	$ 275
Interest cost	10	13
Actuarial loss	6	22
Benefits paid	(39)	(42)
Projected benefit obligation at end of year (unfunded)	$ 245	$ 268

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

	2012	2011
Projected benefit obligation	$ 245	$ 268
Unrecognized net (gain) loss		
Recorded pension liabilities	$ 245	$ 268

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

	2012	2011
Discount rate on projected benefit obligation	3.70%	4.00%

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, 2012, as follows (in thousands):

2013	$ 2,656
2014	2,589
2015	2,458
2016	1,994
2017	1,920
Thereafter	5,593

	$ 17,210

Total rent expense amounted to approximately $3.0 million, $2.1 million and $1.7 million for the years ended October 31, 2012, 2011, and 2010. Rent to Limoneira, for our corporate office, amounted to approximately $0.3 million for fiscal years 2012 and 2011. For the fiscal year 2010, rent to Limoneira amounted to approximately $0.2 million. We are committed to rent our corporate facility through fiscal 2015 at an annual rental of $0.3 million per annum (subject to annual CPI increases, as defined).

Through the acquisition of RFG in June 2011, we have two additional facilities in California, one being the corporate office of RFG in Rancho Cordova, and the other being a fresh processing facility in Sacramento. RFG also has one other fresh processing facility in Houston, Texas. Both facilities process cut fruits and vegetables, salads, sandwiches, and wraps. The RFG corporate office in Rancho Cordova has an operating lease through September 2015. Total rent for fiscal 2012 was approximately $0.3 million. Total rent for fiscal 2011 was approximately $0.1 million. The processing facility in Sacramento has an operating lease through May 2021.

Total rent for fiscal 2012 was approximately $0.5 million. Total rent for fiscal 2011 was approximately $0.2 million. The processing facility in Houston has an operating lease through May 2021. Total rent for fiscal 2012 was approximately $0.3 million. Total rent for fiscal 2011 was approximately $0.1 million.

We indemnify our directors and officers and have the power to indemnify each of our 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

Hacienda Suits During the fourth quarter of fiscal 2012, we won our appeal related to the examination of the tax year ended December 31, 2005. Based on discussions with our legal counsel, we believe this examination is complete, resulting in no impact on our financial statements.

As previously disclosed, during the third quarter of fiscal year 2012, we received an update from our outside legal counsel regarding the Hacienda s examination of the tax year ended December 31, 2004. The appellate court, via a second resolution, upheld the lower court s decision on two outstanding tax assessments from the Hacienda for which we had previously received unfavorable rulings. Management, as well as our outside legal counsel, still believes the company s position was correct.

Based on discussions with our outside legal counsel in Mexico, we did not believe it was likely that we would be able to appeal this decision any further (i.e. to the Mexican Supreme Court). As such, we were forced to pay an assessment. The total net assessment related to these allegations was approximately $1.8 million, which has been recorded as income tax expense for the year ended October 31, 2012. The payment related to this tax assessment was paid during our third fiscal quarter.

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.

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, 2012, 2011, and 2010, the aggregate amount of avocados procured from entities owned or controlled by members of our Board of Directors was $21.1 million, $18.6 million and $23.9 million. Accounts payable to these Board members was $0.9 million and $0.1 million as of October 31, 2012, and 2011.

During fiscal 2012, 2011 and 2010, we received $0.2 million as dividend income from Limoneira.

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. LIG is majority owned by an entity owned by such three executives of RFG. For the year ended October 31, 2012 and 2011, since the acquisition of RFG, total rent paid to LIG was $0.5 million and $0.2 million. RFG s Texas operating facility leases a building from THNC, LLC (THNC) pursuant to an operating lease. THNC is majority owned by an entity owned by such three executives of RFG. For the year ended October 31, 2012, total rent paid to THNC was $0.1 million. 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). Third Coast is majority owned by an entity owned by such three executives of RFG. For the year ended October 31, 2012 and 2011, total sales made to Third Coast were $2.7 million and $1.1 million. For the year ended October 31, 2012 and 2011, total purchases made from Third Coast were $1.6 million and $0.4 million. Amounts due from Third Coast were $0.8 million and $0.3 million as of October 31, 2012 and 2011. Amounts due to Third Coast were $0.1 million and $0.2 million as of October 31, 2012 and 2011.

10. Income Taxes

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

	2012	2011	2010
Current:			
Federal	$ 8,212	$ 4,405	$ 7,988
State	1,233	1,107	1,868
Foreign	2,428	(170)	153
Total current	11,873	5,342	10,009
Deferred:			
Federal	(214)	1,277	1,157
State	(559)	208	277
Foreign	(45)	422	(104)
Total deferred	(818)	1,907	1,332
Total income tax provision	$ 11,055	$ 7,249	$ 11,341

At October 31, 2012 and 2011, gross deferred tax assets totaled approximately $3.6 million and $2.7 million, while gross deferred tax liabilities totaled approximately $12.1 million and $8.8 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.

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

	2012	2011
Allowances for accounts receivable	$ 714	$ 564
Inventories	483	435
State taxes	350	276
Accrued liabilities	675	861
Current deferred income taxes	$ 2,222	$ 2,136
Property, plant, and equipment	(5,604)	(5,258)
Intangible assets	105	(312)
Unrealized gain, Limoneira investment	(6,008)	(2,614)
Stock-based compensation	286	183
State taxes	546	
Other	10	(1)
Long-term deferred income taxes	$ (10,665)	$ (8,002)

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:

	2012	2011	2010
Federal statutory tax rate	35.0%	35.0%	35.0%
State taxes, net of federal effects	1.7	4.8	4.8

Foreign income taxes greater (less) than U.S.	(2.7)	(0.9)	(0.9)
Hacienda assessment	6.3		
Other	(0.8)	0.9	0.2
	39.5%	39.8%	39.1%

We intend to reinvest our accumulated foreign earnings, which approximated $8.9 million at October 31, 2012, indefinitely. As a result, we have not provided any deferred income taxes on such unremitted earnings. For fiscal years 2012, 2011 and 2010, income before income taxes related to domestic operations was approximately $24.2 million, $17.1 million, and $28.3 million. For fiscal years 2012, 2011 and 2010, income before income taxes related to foreign operations was approximately $3.8 million, $1.1 million and $0.7 million.

As of October 31, 2012, we did not have a liability for unrecognized tax benefits related to various federal and state income tax matters. As of October 31, 2011, we provided a liability less than $0.1 million 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.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

Balance at November 1, 2010	$ 103
Reductions of tax positions from prior years	(62)
Balance at October 31, 2011	41
Reductions of tax positions from prior years	(41)
Balance at October 31, 2012	$

As previously disclosed, during the third quarter of fiscal year 2012, we received an update from our outside legal counsel regarding the Hacienda s examination of the tax year ended December 31, 2004. The appellate court, via a second resolution, upheld the lower court s decision on two outstanding tax assessments from the Hacienda for which we had previously received unfavorable rulings. Management, as well as our outside legal counsel, still believes the company s position was correct.

Based on discussions with our outside legal counsel in Mexico, however, we did not believe we would be able to appeal this decision any further (i.e. to the Mexican Supreme Court) and, as a result, were forced to pay an assessment. The income tax assessment related to these allegations amounted to $1.8 million. The payment related to this tax assessment was paid during our third fiscal quarter. This has the effect of increasing our effective income tax rate for fiscal 2012.

Substantially offsetting the impact of this assessment on our tax provision are tax benefits recognized due to a shift of income between taxing jurisdictions, tax credits received through California s Enterprise Zone Hiring Credit Program (EZC) and an increase in the Section 199 deduction. We expect to continue to receive tax benefits related to the shift of income between taxing jurisdictions, as well as the EZC credits, during fiscal 2013.

The effective income tax rate for fiscal years 2011, and 2010 is higher than the federal statutory rate principally due to state and foreign taxes.

11. Segment Information

As discussed in footnote 1, we now 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 meat 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, 2012				
Net sales	$ 350,582	$ 46,424	$ 154,113	$ 551,119
Cost of sales	316,287	32,422	141,744	490,453
Gross margin	$ 34,295	$ 14,002	$ 12,369	$ 60,666
Year ended October 31, 2011[(1)]				
Net sales	$ 420,658	$ 45,151	$ 56,720	$ 522,529
Cost of sales	389,371	38,403	52,447	480,221

Gross margin	$ 31,287	$ 6,748	$ 4,273	$ 42,308
Year ended October 31, 2010				
Net sales	$ 348,052	$ 50,299	$	$ 398,351
Cost of sales	309,609	37,212		346,821
Gross margin	$ 38,443	$ 13,087	$	$ 51,530

(1) As the acquisition for RFG was completed on June 1, 2011, only five months are included in prior year ended October 31, 2011.

For fiscal years 2012, 2011 and 2010, inter-segment sales and cost of sales of $33.8 million, $27.0 million, and $21.1 million were eliminated in consolidation.

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

	Year ended October 31, 2012				Year ended October 31, 2011			
	Fresh products	Calavo Foods	RFG	Total	Fresh products	Calavo Foods	RFG(1)	Total
Third-party sales:								
Avocados	$ 318,556	$	$	$ 318,556	$ 376,980	$	$	$ 376,980
Tomatoes	11,404			11,404	23,903			23,903
Papayas	12,753			12,753	13,245			13,245
Pineapples	6,840			6,840	4,278			4,278
Other fresh products	1,788			1,788	3,276			3,276
Food service		36,289		36,289		37,431		37,431
Retail and club		19,758	157,333	177,091		17,204	58,020	75,224
Total gross sales	351,341	56,047	157,333	564,721	421,682	54,635	58,020	534,337
Less sales incentives	(759)	(9,623)	(3,220)	(13,602)	(1,024)	(9,484)	(1,300)	(11,808)
Net sales	$ 350,582	$ 46,424	$ 154,113	$ 551,119	$ 420,658	$ 45,151	$ 56,720	$ 522,529

(1) As the acquisition for RFG was completed on June 1, 2011, only five months are included in prior year ended October 31, 2011.

	Year ended October 31, 2011				Year ended October 31, 2010			
	Fresh products	Calavo Foods	RFG(1)	Total	Fresh products	Calavo Foods	RFG	Total
Third-party sales:								
Avocados	$ 376,980	$	$	$ 376,980	$ 288,814	$	$	$ 288,814
Tomatoes	23,903			23,903	41,595			41,595
Papayas	13,245			13,245	11,278			11,278
Pineapples	4,278			4,278	3,838			3,838
Other fresh products	3,276			3,276	3,617			3,617
Food service		37,431		37,431		40,654		40,654
Retail and club		17,204	58,020	75,224		17,473		17,473
Total gross sales	421,682	54,635	58,020	534,337	349,142	58,127		407,269
Less sales incentives	(1,024)	(9,484)	(1,300)	(11,808)	(1,090)	(7,828)		(8,918)
Net sales	$ 420,658	$ 45,151	$ 56,720	$ 522,529	$ 348,052	$ 50,299	$	$ 398,351

(1) As the acquisition for RFG was completed on June 1, 2011, only five months are included in prior year ended October 31, 2011.

Net sales to third parties by segment exclude inter-segment sales and cost of sales. For fiscal years 2012, 2011, and 2010, inter-segment sales and cost of sales for Fresh products totaling $22.2 million, $15.8 million and $11.7 million were eliminated. For fiscal years 2012, 2011, and 2010, inter-segment sales and cost of sales for Calavo Foods totaling $11.6 million, $11.2 million, and $9.5 million were eliminated.

Sales to customers outside the United States were approximately $28.8 million, $24.3 million and $24.3 million for fiscal years 2012, 2011, and 2010.

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

	United States	Mexico	Consolidated
2012	$ 29,893	$ 20,669	$ 50,562
2011	$ 30,494	$ 16,597	$ 47,091

12. Long-Term Obligations

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

	2012	2011
Farm Credit West, PCA, (FCW) term loan, bearing interest at 1.7%	$ 5,509	$ 7,012
Bank of America, N.A. (BoA) term loan, bearing interest at 1.7%	5,606	7,135
FCW, term loan, bearing interest at 5.7%	3,900	5,200
Capital leases	3,440	4,345
	18,455	23,692
Less current portion	(5,416)	(5,448)
	$ 13,039	$ 18,244

See Note 16 for discussion regarding our acquisition of RFG. In conjunction with such acquisition, the Company and FCW entered into a Term Loan Agreement (Term Agreement), 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).

In conjunction with the purchase of RFG, we assumed various capital leases related to machinery and equipment. These leases bear interest at a weighted average interest rate of approximately 4.0%. The total obligation acquired related to these capital leases were $4.0 million, with $1.1 million being classified as in the current portion.

At October 31, 2012, annual debt payments are scheduled as follows (in thousands):

	Total
Year ending October 31:	
2013	$ 5,416
2014	5,415
2015	4,940
2016	2,134
2017	108
Thereafter	442
	$ 18,455

13. Stock-Based Compensation

The Employee Stock Purchase Plan

The employee stock purchase plan was approved by our Board of Directors and shareholders. Participation in the employee stock purchase plan is limited to employees. The plan provides the Board of Directors, or a plan administrator, the right to make available up to 2,000,000 shares of common stock at a price not less than fair market value. In March 2002, the Board of Directors awarded selected employees the opportunity to purchase up to 474,000 shares of common stock at $7.00 per share, the closing price of our common stock on the date prior to the grant. The plan also permits us to advance all or some of the purchase price of the purchased stock to the employee upon the execution of a full-recourse note at prevailing interest rates. These awards expired in April 2002, with 84 participating employees electing to purchase approximately 279,000 shares. There was no activity related to such plan since this award.

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 share amounts):

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Fair-Value	Aggregate Intrinsic Value
Outstanding at October 31, 2009	284	$ 10.23		
Granted	10	$ 19.20	$ 6.36/share	
Exercised	(207)	$ 9.13		
Outstanding at October 31, 2010	87	$ 13.89		
Exercised	(15)	$ 14.58		
Outstanding at October 31, 2011	72	$ 13.75		
Exercised	(37)	$ 13.54		
Outstanding at October 31, 2012	35	$ 15.16		$ 824
Exercisable at October 31, 2012	13	$ 18.37		$ 313

The weighted average remaining life of such outstanding options is 5.2 years and the total intrinsic value of options exercised during fiscal 2012 was $0.4 million. The weighted average remaining life of such exercisable options is 4.1 years. The fair value of shares vested during the year ended October 31, 2012, 2011, and 2010 was approximately $0.3 million, $0.7 million, and $0.7 million.

The total compensation cost for stock option grants not yet recognized as of October 31, 2012 was approximately $0.1 million, which will be recognized over the remaining service periods of 45 months.

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. As a result of such new plan, no new awards will be made under our 2005 Stock Incentive Plan.

In April 2011, our Board of Directors approved the issuance of options to acquire a total of 60,000 shares of our common stock to our board of directors. Each non-employee director was granted 5,000 shares of options at $21.82 per share. Such grant vested over a one-year period. Vested options have a term of one year from the vesting date. The market price of our common stock at the grant date was $21.82. The estimated fair market value of such option grant was approximately $0.2 million, which has been recorded as compensation expense of $0.1 million in both fiscal 2011 and fiscal 2012.

In October 2011, 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 $21.80 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 $21.80. 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, 2012 was approximately $0.1 million, which will be recognized over the remaining service period of 60 months.

On January 26, 2012, 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 $27.68. This grant of restricted stock incurred $0.2 million in stock compensation expenses in fiscal 2012. As of January 2013, 11,000 shares vested, because such board members were still serving on the board at this time. The remaining 1,000 shares vested in May 2012 with the passing of one of our directors.

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	Weighted-Average Fair-Value	Aggregate Intrinsic Value
Granted	70	$ 21.82	$ 4.15/share	
Forfeited	(5)	$ 21.82		
Outstanding at October 31, 2011	65	$ 21.82		
Exercised	(15)	$ 21.82		
Outstanding at October 31, 2012	50	$ 21.82		$ 94
Exercisable at October 31, 2012	42	$ 21.82		$ 79

The weighted average remaining life of such outstanding options is 1.7 years and the total intrinsic value of options exercised during fiscal 2012 was insignificant. The weighted average remaining life of such exercisable options is 0.6 years. The fair value of shares vested during the year ended October 31, 2012, was approximately $1.0 million.

14. Dividends

On December 12, 2012, we paid a $0.65 per share dividend in the aggregate amount of $9.6 million to shareholders of record on November 28, 2012. On December 12, 2011, we paid a $0.55 per share dividend in the aggregate amount of $8.1 million to shareholders of record on December 2, 2011.

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, 2012 that are measured on a recurring basis during the period, segregated by level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
	(All amounts are presented in thousands)			
Assets at fair value:				
Investment in Limoneira Company[1]	$ 38,841			$ 38,841
Total assets at fair value	$ 38,841	$	$	$ 38,841

(1) The investment in Limoneira Company consists of marketable securities in the Limoneira Company stock. We currently own approximately 15% of Limoneira s outstanding common stock. These securities are measured at fair value by quoted market prices. Limoneira s stock price at October 31, 2012 and October 31, 2011 equaled $22.47 per share and $17.35 per share. Unrealized gains and losses are recognized through other comprehensive income. Unrealized investment holding gains arising during the year ended October 31, 2012 was $8.9 million. Unrealized investment holding losses arising during

the year ended October 31, 2011 was $5.0 million. Unrealized investment holding gains arising during the year ended October 31, 2010 was $10.8 million.

	Level 1	Level 2	Level 3	Total
	(All amounts are presented in thousands)			
Liabilities at fair value:				
Salsa Lisa contingent consideration(2)			$ 857	$ 857
RFG contingent consideration(2)			2,322	2,322
Total liabilities at fair value	$	$	$ 3,179	$ 3,179

(2) Each period, we revalue our contingent consideration obligations to their fair value and record increases or decreases in the fair value into selling, general and administrative expense. Increases or decreases in the fair value of the contingent consideration obligations can result from changes in the assumed timing and amount of revenue and expense estimates, changes in the probability of payment scenarios, as well as changes in capital market conditions, which impact the discount rate used in the Fair Valuation. Significant judgment is employed in determining the appropriateness of these assumptions as of the acquisition date and for each subsequent period. Accordingly, future business and economic conditions, as well as changes in any of the assumptions described above, can materially impact the amount of contingent consideration expense we record in any given period. Total net increase to the contingent considerations in fiscal year 2012 totaled $0.4 million. Total net decrease to the contingent considerations in fiscal year 2011 totaled $0.5 million. See Note 16 for further discussion.

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

	Balance at 10/31/11	Acquisition	Interest	Revalue Adjustment	Balance at 10/31/12
		(All amounts are presented in thousands)			
Salsa Lisa contingent consideration	$ 978	$	$ 56	$ (177)	$ 857
RFG contingent consideration	1,652		73	597	2,322
Total	$ 2,630	$	$ 129	$ 420	$ 3,179

	Balance at 10/31/10	Acquisition	Interest	Revalue Adjustment	Balance at 10/31/11
		(All amounts are presented in thousands)			
Salsa Lisa contingent consideration	$ 1,521	$	$ 70	$ (613)	$ 978
RFG contingent consideration		1,543	31	78	1,652
Total	$ 1,521	$ 1,543	$ 101	$ (535)	$ 2,630

16. RFG Business Acquisition

Calavo, CG Mergersub LLC (Newco), Renaissance Food Group, LLC (RFG) and Liberty Fresh Foods, LLC, Kenneth Catchot, Cut Fruit, LLC, James Catchot, James Gibson, Jose O. Castillo, Donald L. Johnson and RFG Nominee Trust (collectively, the Sellers) entered into an Agreement and Plan of Merger dated May 25, 2011 (the Acquisition Agreement), which sets forth the terms and conditions pursuant to which Calavo would acquire a 100 percent ownership interest in RFG. Pursuant to the Acquisition Agreement, Newco, a newly formed Delaware limited liability company and wholly-owned subsidiary of Calavo, merged with and into RFG, with RFG as the surviving entity. RFG is a fresh-food company that produces, markets, and distributes nationally a portfolio of healthy, high quality products for consumers via the retail channel. The acquisition closed on June 1, 2011.

Pursuant to the Acquisition Agreement and based on the fair value of Calavo s common stock on June 1, 2011, we agreed to pay on the closing date approximately $16 million, payable in a combination of cash and shares of unregistered Calavo common stock, as described below in greater detail. In addition, if RFG attains specified financial goals for certain 12-month periods prior to the fifth anniversary of the closing, we have agreed to pay RFG approximately up to an additional $84 million in earn-out consideration, based on the fair value of Calavo s common stock on June 1, 2011, payable in cash and shares of unregistered Calavo common stock, as described below in greater detail. As a result, if the maximum earn-out consideration is earned, the total consideration payable to RFG pursuant to the Acquisition Agreement could be approximately $100 million. The fair value of consideration is currently being determined by the Company and will be less than the maximum consideration noted above.

The Acquisition Agreement contains covenants, representations and warranties of Calavo and RFG that are customary for transactions of this type. Prior to entering into the Acquisition Agreement, and other than with respect to the Acquisition Agreement, neither we, nor any of our officers, directors, or affiliates had any material relationship with RFG or the Sellers.

We have paid the Sellers $14.2 million in cash, net of adjustments based on RFG s financial condition at closing, and issued the Sellers 43,000 shares of unregistered Calavo common stock.

If RFG s earnings before interest, taxes, depreciation and amortization (EBITDA) for any 12-month period commencing after the closing date and ending prior to the fifth anniversary of the closing date, are equal to or greater than $8 million, and RFG has concurrently reached a corresponding revenue achievement, we have agreed to pay the Sellers $5 million in cash and to issue to the Sellers 827,000 shares of unregistered Calavo common stock, representing total consideration of approximately $24 million. This represents the maximum that can be awarded pursuant to the 1st earn-out payment. In the event that the maximum EBITDA and revenue achievements have not been reached within five years after the closing date, but RFG s 12-month EBITDA during such period equals or exceeds $6 million and RFG has concurrently reached a corresponding revenue achievement, a sliding-scale, as defined, will be used to calculate payment. The minimum amount to be paid in the sliding-scale related to the 1st earn-out payment is approximately $14 million, payable in both cash and shares of unregistered Calavo common stock. RFG has five years to achieve any consideration pursuant to the 1st earn-out payment.

Assuming that the maximum earn-out payment has been achieved in the 1st earn-out payment, if RFG s EBITDA, for a 15-month period commencing after the closing date and ending prior to the fifth anniversary of the closing date, is equal to or greater than $15 million for each of the 12-month periods therein, and RFG has concurrently reached a corresponding revenue achievement, we have agreed to pay the Sellers $50 million in cash and to issue to the Sellers 434,783 shares of unregistered Calavo common stock, representing total consideration of approximately $60 million. This represents the maximum that can be awarded pursuant to the 2nd earn-out payment. In the event that the maximum EBITDA and revenue achievements have not been reached within five years after the closing date, but RFG s 12-month EBITDA during such period equals or exceeds $10 million, and RFG has concurrently reached a corresponding revenue achievement, a sliding-scale will be used to calculate payment. The minimum amount to be paid in the sliding-scale related to the 2nd earn-out payment is approximately $27 million, payable in both cash and shares of unregistered Calavo common stock. RFG has five years to achieve any consideration pursuant to the 2nd earn-out payment.

The minimum sliding scale earn-out payments of $14 million and $27 million will only be made if RFG s 12-month EBITDA during the specified period equals or exceeds $6 million and $10 million, respectively, and RFG has concurrently reached a corresponding revenue achievement. That is, if the EBITDA and revenue targets are not met, no contingent consideration will be paid.

The following table summarizes the estimated fair values of the assets acquired, liabilities assumed, and equity issued at the date of acquisition (in thousands). We performed valuations and considered and relied in part upon a third part expert for the long-term assets acquired and incurred approximately $0.3 million in acquisition costs, which have been expensed in selling, general and administrative expenses in the period incurred.

	At June 1, 2011
Current assets	$ 10,491
Property, plant, and equipment	4,580
Goodwill	14,264
Other assets	117
Intangible assets	8,690
Total assets acquired	38,142
Current liabilities	(12,292)
Contingent consideration	(7,774)
Long-term obligations	(2,894)
Additional paid-in capital	(952)
Net assets acquired	$ 14,230

Of the $8,690,000 of intangible assets, an allocation of $7,400,000 was assigned to customer relationships with a life of 8 years, $920,000 to trademarks and trade names with a life of 8 years, $200,000 to non-competition agreements with a life of 5 years, and $170,000 to trade secrets with a life of 3 years. As discussed above, we potentially may be required to pay a maximum of approximately $100 million if RFG achieves specified future revenue and EBITDA targets. The fair value of this contingent consideration was determined based on a probability weighted method, which incorporates management s forecasted revenue, and the likelihood of the revenue targets being achieved.

In October 2012, based on forecast projection analysis, we increased the contingent consideration liability related to the acquisition of RFG by approximately $0.6 million. In October 2011, based on forecast projection analysis, we increased the contingent consideration liability related to the acquisition of RFG by approximately $0.1 million.

17. Sale of Investment in Maui Fresh

On October 31, 2012, Calavo, entered into a Sale of LLC Interest Agreement (Sale Agreement) with San Rafael, pursuant to which the Company has agreed to sell to San Rafael all of our interest, representing one-half ownership, in Maui for $2.6 million. This transaction resulted in a gain on sale of approximately $0.5 million.

Since 2006, Calavo and San Rafael both had a 50% interest in the joint venture of Maui for the purpose of the marketing, sale and distribution of fresh produce from the Los Angeles Wholesale Produce Market.

Pursuant to the Sale Agreement, San Rafael made an initial down payment of $0.3 million on October 31, 2012. Concurrently, San Rafael also entered into two promissory notes, the Equity Promissory Note and the Goodwill Promissory Note. The equity promissory note of $1.0 million and the goodwill promissory note of $1.3 million have been secured by a pledge by San Rafael s entire ownership interest on Maui and were guaranteed by Francisco Clouthier (owner of San Rafael).

The Equity Promissory Note, totaling approximately $1.0 million, will be paid in 36 equal monthly principal payments plus accrued interest, as defined, on the unpaid principal balance.

The entire amount of principal and all accrued unpaid interest shall be due and payable on November 1, 2015. The interest rate for the first payment in November was approximately 1.6%.

The Goodwill Promissory Note, totaling $1.3 million, is due and payable in full on November 1, 2017.

18. Subsequent Events

We have evaluated subsequent events to assess the need for potential recognition or disclosure in this Annual Report on Form 10-K. Such events were evaluated through the date these financial statements were issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition in the financial statements.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Calavo Growers, Inc.

We have audited the accompanying consolidated balance sheets of Calavo Growers, Inc. (the Company) as of October 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, shareholders equity, and cash flows for each of the three years in the period ended October 31, 2012. 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, 2012 and 2011, and the consolidated results of its operations and its cash flows for each of the three years in the period ended October 31, 2012, 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.

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, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated January 14, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Los Angeles, California

January 14, 2013

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), as of the end of the period covered by this report. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of October 31, 2012.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended October 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management s Report on Internal Control Over Financial Reporting

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.

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, 2012. Our internal control over financial reporting as of October 31, 2012 has been audited by Ernst and Young LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Calavo Growers, Inc.

We have audited Calavo Growers, Inc. s internal control over financial reporting as of October 31, 2012, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Calavo Growers, Inc. s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company s internal control over financial reporting 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Calavo Growers, Inc. maintained, in all material respects, effective internal control over financial reporting as of October 31, 2012, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Calavo Growers, Inc. as of October 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, shareholders equity, and cash flows for each of the three years in the period ended October 31, 2012 of Calavo Growers Inc. and our report dated January 14, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Los Angeles, California

January 14, 2013

Item 9B. Other Information

None.

PART III

Certain information required by Part III is omitted from this Annual Report because we will file a definitive Proxy Statement for the Annual Meeting of Shareholders pursuant to Regulation 14A of the Securities Exchange Act of 1934 (the Proxy Statement), not later than 120 days after the end of the fiscal year covered by this Annual Report, and the applicable information included in the Proxy Statement is incorporated herein by reference.

Item 10. Directors, Executive Officers, and Corporate Governance

The names of our executive officers and their ages, titles and biographies are incorporated by reference from Part I, above.

The following information is included in our Notice of Annual Meeting of Shareholders and Proxy Statement to be filed within 120 days after our fiscal year end of October 31, 2012 (the Proxy Statement) and is incorporated herein by reference:

- Ø Information regarding our directors who are standing for reelection and any persons nominated to become our directors is set forth under Election of Directors.
- Ø Information regarding our Audit Committee and designated audit committee financial expert is set forth under Corporate Governance Principles and Board Matters Board Structure and Committee Composition Audit Committee.
- Ø Information on our code of ethics for directors, officers and employees and our Corporate Governance Guidelines is set forth under Corporate Governance Principles and Board Matters.
- Ø Information regarding Section 16(a) beneficial ownership reporting compliance is set forth under Section 16(a) Beneficial Ownership Reporting Compliance.

Item 11. Executive Compensation

The information required by this Item is incorporated herein by reference to the sections entitled Executive Compensation and Directors Compensation in the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item is incorporated herein by reference to the sections entitled Security Ownership of Certain Beneficial Owners and Management and Equity Compensation Plan Information in the Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item is incorporated herein by reference to the section entitled Certain Relationships and Related Transactions in the Proxy Statement.

Item 14. Principal Accountant s Fees and Services

Information required by this Item is incorporated herein by reference to the section of the Proxy Statement entitled Principal Accountant Fees and Services.

Part IV

Item 15. Exhibits and Financial Statement Schedules
(a)(1) **Financial Statements**

The following consolidated financial statements as of October 31, 2012 and 2011 and for each of the three years in the period ended October 31, 2012 are included herewith:

Consolidated Balance Sheets, Consolidated Statements of Income, Consolidated Statements of Comprehensive Income, Consolidated Statements of Cash Flows, Consolidated Statements of Shareholders Equity, Notes to Consolidated Financial Statements, and Report of Ernst & Young LLP, Independent Registered Public Accounting Firm.

(2) **Supplemental Schedules**

Schedule II Valuation and Qualifying Accounts

All other schedules have been omitted since the required information is not present in amounts sufficient to require submission of the schedule, or because the required information is included in the consolidated financial statements or notes thereto.

(3) **Exhibits**

Exhibit Number	**Description**
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2.2	Agreement and Plan of Merger dated as of November 7, 2003 Among Calavo Growers, Inc., Calavo Acquisition, Inc., Maui Fresh International, Inc. and Arthur J. Bruno, Robert J. Bruno and Javier J. Badillo[2]
2.3	Stock Purchase Agreement dated as of June 1, 2005, between Limoneira Company and Calavo Growers, Inc.[3]
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2.5	Acquisition Agreement between Calavo Growers, Inc., Calavo Salsa Lisa, LLC, Lisa s Salsa Company and Elizabeth Nicholson and Eric Nicholson dated February 8, 2010[5]
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2.7	Agreement and Plan of Merger dated May 25, 2011 among Calavo Growers, Inc., CG Mergersub LLC, Renaissance Food Group, LLC and Liberty Fresh Foods, LLC, Kenneth Catchot, Cut Fruit, LLC, James Catchot, James Gibson, Jose O. Castillo, Donald L. Johnson and RFG Nominee Trust[1] (Certain portions of the exhibit have been omitted based upon a request for confidential treatment filed by the Registrant with the Securities and Exchange Commission. The omitted portions of the exhibit have been separately filed by the Registrant with the Securities and Exchange Commission.) [19]
2.8	Sale of LLC Interest Agreement dated October 31, 2012 between Calavo Growers, Inc. and San Rafael Distributing, Inc.[24]
3.1	Articles of Incorporation of Calavo Growers, Inc.[1]
3.2	Amended and Restated Bylaws of Calavo Growers, Inc.[6]
3.3	Amendments to Articles of Incorporation or Bylaws of Calavo Growers, Inc.[18]

10.1	Form of Marketing Agreement for Calavo Growers, Inc.[7]
10.2	Marketing Agreement dated as of April 1, 1996 between Tropical Hawaiian Products, Inc., a Hawaiian corporation, and Calavo Growers of California.[1]

Exhibit Number	Description
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10.4	Lease agreement dated as of February 15, 2005, between Limoneira Company and Calavo Growers, Inc.[3]
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10.7	Term Loan Agreement dated April 9, 2008 (effective date May 1, 2008) between Farm Credit West, PCA, and Calavo Growers, Inc.[7]
10.8	2005 Stock Incentive Plan Of Calavo Growers, Inc.[9]
10.9	Calavo Supplemental Executive Retirement Agreement dated March 11, 1989 between Egidio Carbone, Jr.and Calavo Growers of California.[1]
10.10	Amendment to the Calavo Growers of California Supplemental Executive Retirement Agreement dated November 9, 1993 Between Egidio Carbone, Jr.and Calavo Growers of California.[1]
10.11	2001 Stock Purchase Plan for Officers and Employees.[9]
10.12	Business Loan Agreement between Bank of America, N.A.and Calavo Growers, Inc., dated October 15, 2007[10]
10.13	First Amendment Agreement between Bank of America, N.A.and Calavo Growers, Inc., dated August 28, 2008[11]
10.14	Form of Stock Option Agreement[12]
10.15	Amendment No.2 to Loan Agreement dated as of July 31, 2009 between Calavo Growers, Inc.and Bank of America, N.A.[13]
10.16	Amendment to Term Loan Agreement between Farm Credit West, PCA, and Calavo Growers, Inc[14]
10.17	Amendment No.3 to Loan Agreement dated February 9, 2010 between Bank of America, N.A.and Calavo Growers, Inc.[15]
10.18	2011 Management Incentive Plan of Calavo Growers, Inc.[16]
10.19	Retention Bonus Agreement between Lecil E.Cole and Calavo Growers, Inc.[17]
10.20	Term Revolving Credit Agreement between Farm Credit West, PCA and Calavo Growers, Inc.as of May 31, 2011.[20]
10.21	Term Loan Agreement between Farm Credit West, PCA and Calavo Growers, Inc.as of May 31, 2011.[20]
10.22	Amendment to Term Revolving Credit Agreement between FCW and Calavo Growers, Inc.dated May 31, 2011.[21]
10.23	Amendment No.4 to Loan Agreement dated as of September 30, 2011 between Calavo Growers, Inc.and Bank of America, N.A.[22]
10.24	Amendment No.2 to Term Revolving Credit Agreement dated October 31, 2011 between Farm Credit West, PCA and Calavo Growers, Inc. [23]
10.25	Amendment No.2 to Term Loan Agreement dated October 31, 2011 between Farm Credit West, PCA and Calavo Growers, Inc. [23]
10.26	Amendment No.2 to Promissory Note dated October 31, 2011 between Farm Credit West, PCA and Calavo Growers, Inc. [23]
10.27	Equity Secured Promissory Note dated October 31, 2012 between Calavo Growers, Inc. and San Rafael Distributing, Inc. [24]
10.28	Goodwill Secured Promissory Note dated October 31, 2012 between Calavo Growers, Inc. and San Rafael Distributing, Inc. [24]
10.29	Pledge and Security Agreement dated October 31, 2012 between Calavo Growers, Inc. and San Rafael Distributing, Inc. [24]
10.30	Personal Guaranty dated October 31, 2012 between Calavo Growers, Inc. and Francisco Clouthier. [24]
21.1	Subsidiaries of Calavo Growers, Inc.[1]

23.1	Consent of Ernst & Young LLP.*
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-15(e) or Rule 15d-15(e)*
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-15(e) or Rule 15d-15(e)*
32	Certification of Chief Executive Officer and Chief Financial Officer of Periodic Report Pursuant to 18 U.S.C.Section 1350*
101	The following financial information from the Annual Report on Form 10-K of Calavo Growers, Inc. for the year ended October 31, 2012, formatted in XBRL (eXtensible Business Reporting Language): (1) Consolidated Balance Sheets as of October 31, 2012 and 2011; (2) Consolidated Statements of Income for the years ended October 31, 2012, 2011 and 2010; (3) Consolidated Statements of Comprehensive Income for the years ended October 31, 2012, 2011, and 2010; (4) Consolidated Statements of Shareholders Equity for the years ended October 31, 2012, 2011, and 2010; (5) Consolidated Statements of Cash Flows for the years ended October 31, 2012, 2011 and 2010; and (6) Notes to Financial Statements.**

** Pursuant to Rule 406T of Regulation S-T, the information in Exhibit 101 (a) is furnished and is not deemed to be filed or part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act or 1933, as amended, (b) is deemed not to be filed for purposes Section 18 of the Securities Exchange Act of 1934, as amended, and (c) is not otherwise subject to liability under those sections.

* Filed with this Annual Report on Form 10-K.

1 Previously filed on April 24, 2001 as an exhibit to the Registrant s Registration Statement on Form S-4, File No. 333-59418, and incorporated herein by reference.

2 Previously filed on January 23, 2004 as an exhibit to the Registrant s Report on Form 10-K and incorporated herein by reference.

3 Previously filed on June 9, 2005 as an exhibit to the Registrant s Report on Form 10-Q and incorporated herein by reference.

4 Previously filed on May 29, 2008 as an exhibit to the Registrant s Report on Form 8-K and incorporated herein by reference.

5 Previously filed on February 8, 2010 as an exhibit to the Registrant s Report on Form 8-K and incorporated herein by reference.

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8 Previously filed on May 8, 2008 as an exhibit to the Registrant s Report on Form 8-K and incorporated herein by reference.

9 Previously filed on March 21, 2005 as an exhibit to the Registrant s Definitive Proxy Statement on Form DEF14A and incorporated herein by reference.

10 Previously filed on October 19, 2007 as an exhibit to the Registrant s Report on Form 8-K and incorporated herein by reference.

11 Previously filed on January 27, 2009 as an exhibit to the Registrant s Report on Form 10-K/A and incorporated herein by reference.

12 Previously filed on September 11, 2006 as an exhibit to the Registrant s Report on Form 10-Q and incorporated herein by reference.

13 Previously filed on August 6, 2009 as an exhibit to the Registrant s Report on Form 8-K and incorporated herein by reference.

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15 Previously filed on March 11, 2010 as an exhibit to the Registrant s Report on Form 10-Q and incorporated herein by reference.

16 Previously filed on January 14, 2011 as an exhibit to the Registrant s Report on Form 10-K and incorporated herein by reference.

17 Previously filed on March 2, 2011 as an exhibit to the Registrant s Report on Form 8-K and incorporated herein by reference.

18 Previously filed on March 30, 2011 as an exhibit to the Registrant s Report on Form 8-K and incorporated herein by reference.

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(b) **Exhibits**

See subsection (a) (3) above.

(c) **Financial Statement Schedules**

See subsection (a) (1) and (2) above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on January 14, 2013.

CALAVO GROWERS, INC

By: /s/ Lecil E. Cole
Lecil E. Cole
Chairman of the Board of Directors,

Chief Executive Officer and President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on January 14, 2013 by the following persons on behalf of the registrant and in the capacities indicated:

Signature	**Title**
/s/ Lecil E. Cole Lecil E. Cole	Chairman of the Board of Directors, Chief Executive Officer and President (Principal Executive Officer)
/s/ Arthur J. Bruno Arthur J. Bruno	Chief Operating Officer, Chief Financial Officer and Corporate Secretary (Principal Financial Officer)
/s/ James E. Snyder James E. Snyder	Corporate Controller (Principal Accounting Officer)
/s/ Donald M. Sanders Donald M. Sanders	Director
/s/ Marc L. Brown Marc L. Brown	Director
/s/ John M. Hunt John M. Hunt	Director
/s/ George H. Barnes George H. Barnes	Director
/s/ J. Link Leavens J. Link Leavens	Director
/s/ James Helin James Helin	Director
/s/ Dorcas H. McFarlane Dorcas H. McFarlane	Director

/s/ Egidio Carbone, Jr Egidio Carbone, Jr	Director
/s/ Steven W. Hollister Steven W. Hollister	Director
/s/ Harold Edwards Harold Edwards	Director
/s/ Scott Van Der Kar Scott Van Der Kar	Director

SCHEDULE II

CALAVO GROWERS, INC.

VALUATION AND QUALIFYING ACCOUNTS (in thousands)

	Fiscal year ended October 31:	Balance at beginning of year	Additions(1)	Deductions(2)	Balance at end of year
Allowance for customer deductions	2010	1,253	6,474	6,912	815
	2011	815	8,674	7,693	1,796
	2012	1,796	9,886	8,989	2,693
Allowance for doubtful accounts	2010	1,100	127	670	557
	2011	557	91	159	489
	2012	489	130	91	528

(1) Charged to net sales (customer deductions) or costs and expenses (doubtful accounts).

(2) Customer deductions taken or write off of accounts receivables.

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