Risk Factors Comparison 2024-01-31 to 2022-12-20 Form: 10-K

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You should carefully consider the following risks and other information in this Form 10- K. Any of the following risks could materially and adversely affect our results of operations or financial condition. The following risk factors should be read in conjunction with Part II, Item 7, " Management' s Discussion and Analysis of Financial Condition and Results of Operations " and the Consolidated Financial Statements and related notes in Part II, Item 8, " Financial Statements and Supplementary Data " of this Form 10- K. Business and Operational Risks ~~The COVID- 19 pandemic and resulting worldwide economic conditions adversely affected, and may continue to adversely affect, our business operations, financial condition, results of operations, and cash flows.~~ Manufacturing and Supply Chain Disruption Outbreaks of contagious diseases, including ~~the ongoing~~ COVID- 19 ~~outbreak and pandemic~~, and other adverse public health developments in countries and states where we operate, have had and may continue to have an adverse effect on our business and financial condition, as well as cause operational challenges in the manufacturing of our products and the operation of the related supply chains supporting our ability to deliver our products to the consumer. These effects include a potential negative impact on the availability of our key personnel; disruptions of our facilities or facilities of our members, business partners, customers, suppliers, third- party service providers or other vendors; and interruption of domestic and global supply chains, distribution channels, liquidity and capital or financial markets. Restrictions on or disruptions of transportation, border controls and closures, and other impacts on domestic and global supply chains and distribution channels could increase our costs for raw materials and commodity costs, increase demand for raw materials and commodities ~~from competing purchasers~~, limit our ability to meet customer demand or otherwise have a material adverse effect on our business, financial condition, results of operation or cash flows ~~. Costs to Confront the COVID- 19 Pandemic We have incurred and may in the future incur increased costs related to overtime and sick pay, government mandated employee leave related to pandemic conditions, incremental pay for working under challenging conditions, temporary employees, temporary facility closures, sanitizing the work environment, and overall increased safety measures. We have implemented health and safety measures to protect our employees and will continue to take precautionary measures to help minimize the risk of COVID- 19 to our employees. Some of these precautionary measures, and similar precautionary measures that we may take in the future, may result in additional costs. Our operating results may be adversely affected if we fail to adequately manage these costs or if we experience significant unexpected costs in the future. The ultimate impact of the COVID- 19 pandemic on our operations and financial performance depends on many factors that are not within our control. If we are unable to successfully manage our business through the challenges and uncertainty created by the COVID- 19 pandemic, our business and operating results could be materially adversely affected. If the COVID- 19 pandemic or other factors result in prolonged adverse impacts on our operating results, our goodwill and other intangible assets may be at risk of impairment. We have significant goodwill and intangibles balances recorded with respect to our Prepared reporting unit, which we periodically review for impairment. These assets are sensitive to any significant changes in related results of operations of the underlying businesses. The COVID- 19 pandemic has had adverse effects on the Prepared reporting unit, although no impairment of the related goodwill and intangibles balances has occurred during the year ended October 31, 2022. We cannot, however, predict the effects that any continued adverse conditions from the pandemic or other factors may have on the future impairment of these assets. The recovery from the COVID- 19 pandemic and the current economic climate are increasing labor costs, commodity costs and logistical costs, each of which has adversely affected our business operations and results of operations and may continue to do so in the future. Our efforts to raise prices may not be sufficient to offset these cost increases and may have other adverse effects. We have experienced operational challenges in our production facilities and logistics networks, shortage of labor and impacts from increases in prices of petroleum- based products, packaging materials and commodities, all of which are increasing costs companywide. In response to the inflationary costs described above, we have implemented price increases and may implement additional price increases in the future. Customers may not accept price increases or we may face competitive pressure that leads to price reductions for certain products~~. Increases in interest rates could increase the cost of servicing our indebtedness and have an adverse effect on our results of operations, cash flows and stock price. Our credit facility currently bears interest at a variable rate, which will generally change as interest rates change. We also have various leases, and may enter into future equipment leases, with costs that increase as interest rates increase. We bear the risk that the rates we are charged by our lenders and lessors will increase faster than the earnings and cash flow of our business, which could reduce profitability, adversely affect our ability to service our debt, or cause us to breach covenants contained in our credit agreement or leases, which could materially adversely affect our business, financial condition and results of operations. Increases in interest rates may also affect consumer purchasing behavior, including for our fresh and processed food products. Additionally, the trading price of our common stock may be affected by the dividend yield on our common stock relative to market interest rates. When market interest rates rise, ~~prospective purchasers of~~ **the yield on** our common stock may **become less attractive relative** ~~expect a higher dividend yield. We may not be able~~ to **other available securities** ~~, or we may not choose to, provide a higher dividend yield in such instances~~. As a result, prospective purchasers may decide to purchase other securities rather than shares of our common stock, which would reduce the demand for, and potentially result in a decline in the market price of, shares of our common stock. Due to the seasonality of the business, our revenue and operating results may vary from quarter to quarter. Our earnings may be affected by seasonal factors, including: ● the availability, quality and price of raw materials (including, but not limited to **,** fruit and vegetable inputs); ~~8~~ ● the timing and effects of ripening and perishability; ● the ability to process perishable raw materials in a timely manner; ● the leveraging of certain fixed overhead costs during off- season months; and ●

variations in ~~the impacts on~~ consumer demand ~~based on seasonal~~ and holiday timing. Our earnings are sensitive to fluctuations in market prices and demand for our products. ~~Excess supplies often cause severe~~ **We buy and sell fresh produce that can be subject to** price **volatility caused by** ~~competition in our industry. Growing conditions in various parts of the world, particularly~~ weather conditions such as rainfall, hailstorms, windstorms, floods, droughts, wildfires and freezes, as well as **by impacts from** diseases and pests ~~, are primary factors affecting market prices because of their influence on the supply and quality of product~~ . Fresh produce is highly perishable and generally must be brought to market and sold soon after harvest. The selling price received for each type of produce depends on factors such as the availability and quality of the produce item in the market and the availability and quality of competing types of produce. In addition, general public perceptions regarding the quality, safety or health risks associated with particular food products could reduce demand and prices for some of our products. Food safety warnings, advisories, notices and recalls such as those administered by the FDA, CDC, other federal / state government agencies and / or suppliers of various agricultural products, could also reduce demand and / or prices for some of our products. To the extent that consumers stop purchasing products that we produce due to health, food safety or other reasons, and we are unable to modify our products or to develop products that satisfy new consumer preferences, there will be a decreased demand for our products. Increases in commodity or raw product input costs, such as fuel, packaging, and paper, could adversely affect our operating results. Many factors may affect the cost and supply of fresh produce, including external conditions, commodity market fluctuations, currency fluctuations, changes in governmental laws and regulations, the war in Ukraine or conflict **9** elsewhere, agricultural programs, severe and prolonged weather conditions and natural disasters. Increased costs for purchased fruit have in the past negatively impacted our operating results, and **may** ~~there can be no assurance that they will not~~ adversely affect our operating results in the future. The price of various commodities can affect our costs. **For example,** ~~Fuel~~ **fuel** ~~and~~ **,** transportation **, and packaging** ~~cost~~ **costs are** ~~is a~~ significant ~~component~~ **components** of **our operating costs, and** ~~the price of much of the produce that~~ we **may** ~~purchase from growers, and there can be no~~ **not** ~~assurance that we will~~ be able to pass on to our customers any ~~increased~~ **increases in** costs ~~we incur in these respects. The cost~~ of **fuel, transportation,** ~~paper is also significant to us as most of our~~ - **or packaging** ~~products are packed in cardboard boxes. If the price of paper increases and we are not able to effectively pass these price increases along to our customers, then our operating income will decrease~~ . We depend on our infrastructure to have sufficient capacity to handle our annual production needs. **If** ~~Our infrastructure has sufficient capacity for our production needs, including investments we expect to make to facilitate growth, but if~~ we lose machinery or facilities due to natural disasters or mechanical failure, we may not be able to operate at a sufficient capacity to meet our production needs and we may incur significant costs or delays in any effort to restore lost capacity. **Our production capacity for guacamole products is consolidated into a single manufacturing plant in the state of Michoacán, Mexico. Any significant production disruptions at** ~~This~~ **this manufacturing site could result in a limitation of the availability of some or all our guacamole products. Any disruptions in our infrastructure** could have a material adverse effect on our business, results of operations, and financial condition. Failure to optimize our supply chain or disruption of our supply chain could have an adverse effect on our business, financial condition and results of operations. In coordination with our suppliers, our ability to make, move and sell products is critical to our success. Our inability to maintain sufficient internal production capacity or our inability to enter into co- packing agreements on terms that are ~~9~~ beneficial to us could have an adverse effect on our business. Failure to adequately handle increasing production costs and complexity, turnover of manufacturing personnel, or production capability and efficiency issues could materially impact our ability to produce our products in a cost- effective manner and meet customer demand. Additionally, damage or disruption to our collective manufacturing or distribution capabilities resulting from weather, any potential effects of climate change, natural disaster, disease, crop spoilage, fire or explosion, terrorism, organized crime, pandemics, strikes, repairs or enhancements at our facilities, or other reasons, could impair our ability to manufacture or sell our products. **For example, our production capacity for guacamole products is consolidated into a single manufacturing plant in the state of Michoacán, Mexico. Any significant production disruptions at this manufacturing site could result in a limitation of the availability of some or all our guacamole products.** Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, could adversely affect our business, financial condition and results of operations, and may require additional resources to restore our supply ~~chain. Disruption~~ **chainDisruption** of the supply or reliability of transportation services and / or significant increases in the cost of these services could impact our operating income. We use multiple forms of transportation to bring our products to market, including truck, ocean, and air- cargo. Disruption to the timely supply of these services or dramatic increases in the cost of these services for any reason including availability of fuel for such services, labor disputes, governmental regulation, or governmental restrictions limiting specific forms of transportation could have an adverse effect on our ~~ability to serve our customers and could have an adverse effect on our~~ business, financial condition and results of operations. The acquisition of other businesses could pose risks to our operating income. We intend to review acquisition prospects that would complement our business. While we are not currently a party to any definitive agreement with respect to any acquisitions, we may acquire other businesses in the future. Future acquisitions by us could result in accounting charges, potentially dilutive issuances of equity securities, and increased debt and contingent liabilities, any of which could have a material adverse effect on our business and the market price of our common stock. Acquisitions involve numerous risks, including the integration of the acquired operations, diversion of management' s attention to other business concerns, risks of entering markets in which we have limited prior experience, and the potential loss of key employees of acquired organizations. We may be unable to successfully **10** integrate businesses or the personnel of any business that might be acquired in the future, and our failure to do so could have a material adverse effect on our business and on the market price of our common stock. Management' s attention, or other resources, may be diverted if we fail to successfully complete or integrate business combination and investment transactions that further our strategic objectives. System security risks, data protection breaches, cyber- attacks and systems integration issues could disrupt our internal operations or services provided to customers, and any such disruption could reduce our expected revenue, increase our expenses, damage our reputation and adversely affect our stock price. **Our information technology networks could** ~~Experienced computer programmers and hackers may~~ be ~~able to penetrate our network security and misappropriate or compromise~~ **compromised by cyber attacks resulting in misappropriation of** our confidential information or that of third parties, ~~create~~ system disruptions or ~~cause~~ **system** shutdowns. For example, in 2019, certain of our computer systems ~~became~~ **were** encrypted by ransomware, which prevented them from operating for a **period of** time. ~~Computer programmers and hackers~~ **Attackers** ~~also~~ may be able to develop and deploy viruses, worms, and other malicious software programs that ~~attack~~ **infiltrate** our systems or otherwise exploit any security vulnerabilities ~~of our systems~~ . In addition, sophisticated hardware and operating system software and applications that we procure from third parties may contain defects in design or manufacture, including " bugs " and other problems that could unexpectedly interfere with the operation of the system. The costs to us to eliminate or alleviate cyber or other security problems, bugs, viruses, worms, malicious software programs and security vulnerabilities could be significant, and our efforts to address these problems may not be successful and could result in interruptions, delays, cessation of service and loss of existing or potential customers that may impede our sales, manufacturing, distribution or other critical functions. We carry insurance, including cyber insurance, commensurate with our size and the nature of our operations, although there is no certainty that such insurance will in all cases be sufficient to fully reimburse us for all losses incurred in connection with the occurrence of any of these system security risks, data protection breaches, cyber- attacks or other events. **Our information technology systems** ~~10 Portions of our IT infrastructure~~ may also experience interruptions, delays or cessations of service, or produce errors in connection with systems integration or migration work that takes place from time to time. We may not be successful in implementing new systems and transitioning data, which could cause business disruptions and be more expensive, time consuming, disruptive and resource- intensive. Such disruptions could adversely impact our ability to fulfill orders and interrupt other processes. The loss of one or more of our largest customers, or a reduction in the level of purchases made by these customers, could negatively impact our sales and profits. Sales to Kroger ~~,~~ **and** Trader Joes, ~~and Wal- mart,~~ our largest customers, amounted to approximately ~~15~~ **17** % ~~, 11 %~~ and ~~10~~ **13** % of our total net sales in ~~2022~~ **2023** . We expect that a significant portion of our revenues will continue to be derived from a relatively small number of customers. We believe these customers make purchase decisions based on a combination of price, product quality, consumer demand, customer service performance, desired inventory levels and other factors that may be important to them at the time the purchase decisions are made. Changes in our customers' strategies or purchasing patterns, including a reduction in the number of brands they carry, may adversely affect our sales. Additionally, our customers may face financial or other difficulties which may impact their operations and cause them to reduce their level of purchases from us, which could adversely affect our results of operations. Customers also may respond to any price increase that we may implement by reducing their purchases from us, resulting in reduced sales of our products. If sales of our products to one or more of our largest customers **decrease** ~~are reduced~~ , ~~this reduction~~ **the impact** may have a material adverse effect on our business, financial condition, and results of operations. Any bankruptcy or other business disruption involving one of our significant customers also could adversely affect our results of operations. **Changes in our business relationships with California and Mexican growers could significantly impact our avocado supply in the U. S. We are dependent on our long- term relationships with independent growers in California and Mexico to obtain and maintain our supply of avocados in the U. S. Deterioration of our relationships with our key growers could adversely affect our Grown business in the U. S., which could have an adverse effect on our business, financial condition and results of operations. 11** We may not be successful in achieving targeted savings and efficiencies from cost reduction initiatives and related strategic initiatives, including Project Uno. During the third quarter of 2021, we launched Project Uno, a strategic set of initiatives that seeks to identify areas of operating efficiencies and cost savings to expand profit margins, cash flow and return on invested capital. We have undertaken multiple productivity and transformation initiatives, including (1) closure and transfer of certain facilities, (2) implementing broader supply chain operational improvements, (3) integrating our commercial, logistics, IT, procurement and accounting functions across the three divisions, (4) product rationalization initiatives which are aimed at eliminating unprofitable or slow moving SKUs and (5) outsourcing certain functions in our North American business to third- party service providers and the associated implementation of new procurement technology solutions. We may not be successful in fully implementing our productivity plans or realizing our anticipated savings and efficiencies, including potentially as a result of factors outside our control. If we are unable to fully realize the anticipated savings and efficiencies of our cost reduction initiatives and related strategic initiatives, including Project Uno, our profitability may be materially and adversely impacted. ~~Holders~~ **The potential sale of our Fresh Cut business is subject to various risks and uncertainties and may not be completed on the currently contemplated timeline or terms, or at all. We and certain of our subsidiaries have entered into non- binding, exclusive negotiations regarding the potential sale of all of the assets used in our Fresh Cut business and certain related real property (the " Proposed Transaction "). The closing of the Proposed Transaction is subject to the negotiation and execution of a binding agreement. There can be no assurance that a binding agreement will result from the current negotiations, and if a binding agreement does result, the price, structure, form of consideration (for example, cash, promissory, equity) and other material terms may be materially different than currently expected. Whether a binding agreement results, and the terms thereof, may depend on the continuing financial and operating performance of the Fresh Cut business during the negotiation process and the proposed purchaser' s willingness and ability to provide the capital and / or financing necessary to complete the transaction. If we are able to finalize a bidning agreement, it may be subject to the satisfaction or waiver of certain conditions, including, among others, availability of third- party consents that may be required, the accuracy of each party' s representations and warranties contained in any binding agreement, compliance by each party with its respective covenants contained in any binding agreement, and the potential requirement of a transaction services agreement for continuing services by the Company to the purchaser for a period of time following any closing. We or the proposed purchaser may be unable to satisfy such conditions to the**

closing of the Proposed Transaction in a timely manner or at all and, if such conditions are not satisfied or waived, the Proposed Transaction may be delayed or completed on terms that are less favorable, perhaps materially, to us than the terms currently being negotiated, or the Proposed Transaction may not be completed at all. Whether or not a binding agreement is executed and the closing occurs, the announcement and pendency of the Proposed Transaction may adversely affect our relationships with customers, suppliers and vendors, and the operating performance and financial results of the Prepared segment may also be materially adversely affected. We or the proposed purchaser may choose not to proceed with the Proposed Transaction, and if the Proposed Transaction is delayed or not completed for any reason, investor confidence may decline and we may face negative publicity and possible litigation. Further, failure to complete the Proposed Transaction would adversely affect our current plans to use proceeds from the Proposed Transaction to reduce our debt and return cash to shareholders. In addition, we will have expended significant management resources in an effort to complete the Proposed Transaction and will have incurred transaction costsHolders of our common stock may not receive the level of dividends provided for in our dividend policy or any dividends at all. Dividend payments are not mandatory or guaranteed and holders of our common stock do not have any legal right to receive, or require us to pay, dividends. Our Board of Directors may, in its sole discretion, decrease the level of dividends provided for in our dividend policy or entirely discontinue the payment of dividends. Future dividends with respect to shares of our capital stock, if any, depend on, among other things, our results of operations, cash requirements, financial condition, contractual restrictions (including restrictions in our credit agreement), business opportunities, **12** provisions of applicable law (including certain provisions of the California Corporations Code) and other factors that our board of directors may deem relevant. If our cash flows from operating activities were to fall below our minimum expectations (or if our assumptions as to capital expenditures or interest expense were too low or our assumptions as to the sufficiency of our credit facility were to prove incorrect), we may need to either reduce or eliminate dividends. ~~11~~ We have in the past had and may in the future incur substantial indebtedness which could restrict our ability to pay dividends and impact our financing options and liquidity position. Our ability to pay dividends is subject to restrictions contained in the instruments governing our indebtedness. Additionally, although our credit agreement contains covenants that restrict our ability to incur debt, as long as we meet these covenants, we will be able to incur additional indebtedness. The degree to which we are leveraged on a consolidated basis could have important consequences to the holders of our securities, including: ● our ability in the future to obtain additional financing for working capital, capital expenditures or acquisitions may be limited; ● we may not be able to refinance our indebtedness on terms acceptable to us or at all; ● a significant portion of our cash flow may be dedicated to the payment of interest on our indebtedness, thereby reducing funds available for operations, capital expenditures, acquisitions and / or dividends on our common stock; and ● we may be more vulnerable to economic downturns and be limited in our ability to withstand competitive pressures. **Changing rules, public disclosure regulations and stakeholder expectations on ESG- related matters create a variety of risks for our business. Increasingly, regulators, consumers, customers, investors, employees and other stakeholders are focusing on ESG matters and related disclosures. These changing rules, public disclosure regulations and stakeholder expectations have resulted in, and are likely to continue to result in, increased management time and attention spent complying with or meeting such regulations and expectations. For example, developing and acting on initiatives within the scope of ESG, and collecting, measuring and reporting ESG- related information and metrics can be costly, difficult and time consuming and is subject to evolving reporting standards, including the SEC' s proposed climate- related reporting requirements, and similar proposals by other international regulatory bodies. This rapidly changing environment may result in increased general and administrative expenses. We may also communicate certain initiatives and goals regarding environmental matters, diversity and other ESG- related matters. These initiatives and goals could be difficult and expensive to implement, and we could be criticized for the accuracy, adequacy or completeness of the disclosure. Further, statements about our ESG- related initiatives and goals, and progress against those goals, may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve, and assumptions that are subject to change in the future. In addition, we could be criticized for the scope or nature of such initiatives or goals, or for any revisions to these goals. If our ESG- related data, processes and reporting are incomplete or inaccurate, or if we fail to achieve progress with respect to our goals within the scope of ESG on a timely basis, or at all, our reputation, business, results of operations and financial condition could be adversely impacted. 13** Human Capital RisksWe have recently transitioned new personnel into executive leadership positions and our future success will depend in part on our ability to manage this transition successfully. Management and key personnel changes may disrupt our operations, and we may have difficulty attracting and retaining qualified replacements. We have experienced changes in management and other key personnel in critical functions across our organization, including our chief executive officer ~~and our chief financial officer~~ . Changes in management and other key personnel have the potential to disrupt our business, and any such disruption could adversely affect our operations, programs, growth, financial condition and results of operations. Further, new members of management may have different perspectives on programs and opportunities for our business, which may cause us to focus on new business opportunities or reduce or change emphasis on our existing business programs. Our success is dependent upon our ability to attract and retain qualified management and key personnel in a highly competitive environment. Qualified individuals are in high demand, and we may incur significant costs to attract them, particularly at the executive level. We may face difficulty in attracting, retaining and compensating key talent for a number of reasons, including competitive market conditions **, the effect of recent company performance on the achievement of performance compensation conditions,** and the need to align the vision of a new executive team with our Board' s vision for our Company. We cannot assure you that we will be able to hire or retain the personnel necessary to achieve our strategic vision, that personnel we do recruit will be successful or that the loss of any such personnel will not have a material impact on our financial condition and results of operations. ~~12~~ Replacing departing executives can involve organizational disruption and uncertainty. **We have in the past, and we may in the future pay significant**

severance to departed executives. If we fail to manage this transition successfully, we could experience significant delays or difficulty in the achievement of our development and strategic objectives and our business, financial condition and results of operations could be materially and adversely harmed. A continued shortage of qualified labor could negatively affect our business and materially reduce earnings. We have experienced shortages of qualified labor across our operations. Participants in our supply chain have also experienced shortages of qualified labor. The future success of our operations, including the achievement of our strategic objectives, depends on our ability, and the ability of third parties on which we rely to supply and to deliver our products, to identify, recruit, develop and retain qualified and talented individuals. **Employee retention and morale may be affected by our performance- weighted compensation programs, which have in the past and may in the future negatively affect bonuses.** As a result, any shortage of qualified labor could ~~significantly~~ adversely affect our business. Employee recruitment, development and retention efforts that we or such third parties undertake may not be successful, which could result in a shortage of qualified individuals in future periods. Any such shortage could decrease our ability to effectively produce and deliver our products and to achieve our strategic objectives. Such a shortage would also likely lead to higher wages for employees (or higher costs to purchase the services of such third parties) and a corresponding reduction in our results of operations. In the current operating environment, we are experiencing a shortage of qualified labor in certain geographies, particularly with plant production workers, resulting in increased costs from certain temporary wage actions, such as hiring and referral and retention bonus ~~program~~ **programs** . A continuation of such shortages for a prolonged period of time could have a material adverse effect on our results of operations. A portion of our workforce is unionized and labor disruptions could decrease our profitability. While we believe that our relations with our employees and labor unions are good, we cannot ensure that we will be able to negotiate collective bargaining agreements on favorable terms, or at all, and without production interruptions, including labor stoppages. A prolonged labor dispute, which could include a work stoppage, could have a material adverse effect on the portion of our business affected by the dispute, which could impact our business, results of operations and financial condition. **14** We rely on co- packers for a portion of our production needs. We utilize high- quality co- packers to produce a portion of our retail and foodservice products. If we are unable to utilize quality co- packers effectively, we may not be able to meet our production needs for our expected growth. ~~Similar~~ **Similarly** , if an existing co- packer is no longer able or willing to produce products for us, there are no assurances that we will be able to immediately replace them with our own production capacity or that of another co- packer operating in the same region and at the same level of quality. We closely monitor and audit the quality of our co- packers; and our co- packers are required to maintain insurance. We, however, remain subject to risks related to the production of fresh and processed foods. Industry RisksWe are subject to increasing competition that may adversely affect our operating results. The fresh produce and prepared food markets in which we operate are highly competitive. Each of our businesses is subject to competitive pressures, including the following: ● The market for avocados is impacted by an increasing volume of foreign grown avocados being imported into the United States. ~~Recently, there~~ **There** have been significant plantings of avocados in Mexico, Chile, the Dominican Republic, Peru, Colombia and other parts of the world, which have had, and will continue to have, the effect of increasing the volume of foreign grown avocados entering the United States market. Increased supply could put downward pressure on the market price for avocados and also lead to a broader number of marketing and distribution competitors if we are unable to process sufficient supply to maintain our market share. ~~13~~ ● We are subject to competition from other avocado ~~handlers~~ **packers** . If we are unable to consistently pay growers a competitive price for their avocados, these growers may choose to have their avocados marketed by alternate **packers** ~~handlers. ● Mexican sourced avocados and perishable food products are impacted by competitors operating in Mexico. Generally, handlers of Mexican grown avocados operate facilities that are substantially smaller than our facility in Uruapan, Mexico. If we are unable to pack and market a sufficient volume of Mexican grown avocados, smaller handlers will have a lower per unit cost and be able to offer Mexican avocados at a more competitive price to our customers~~ . ● The fresh- cut produce market is highly fragmented and we compete with a variety of national, regional and local manufacturers and distributors of fresh- cut produce in the geographies that we serve. These competitors include both branded and non- branded producers, as well as certain retailers' own in- house fresh- cut operations. To compete successfully, we must be able to strategically source a wide array of fresh produce and prepared food items of uniformly high quality and sell and distribute it on a timely and regular basis. The overall availability and quality of produce items that we purchase for processing can have a meaningful impact on sales and profitability of our Prepared reporting unit. Additionally, the short- shelf life nature of these products makes this business highly localized and our success is often related to our ability to manufacture those products within close proximity to our customers' locations. A recall of our products could have a material adverse effect on our business. In addition, we may be subject to significant liability claims should the consumption of any of our products cause injury, illness or death. The sale of food products for human consumption involves the risk of injury to consumers. Such injuries may result from tampering by unauthorized third parties, product contamination or spoilage, including the presence of foreign objects, substances, chemicals, other agents, or residues introduced during the growing, storage, handling or transportation phases. While we are subject to governmental inspection and regulations and believe our facilities comply in all material respects with all applicable laws and regulations, we cannot be sure that consumption of our products will not cause a health- related illness in the future or that we will not be subject to claims or lawsuits relating to such matters. Even if a product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertion that our products caused illness or injury could adversely affect our reputation with existing and potential customers and our corporate and brand image. ~~We~~ **Climate change may negatively affect our business and operations. There is concern that carbon dioxide and other greenhouse gases in the atmosphere may have** ~~and~~ - **an** ~~our growers are~~ **adverse impact on global temperatures, weather patterns and the frequency and severity of extreme weather and natural disasters. 15 In the event that such climate change has a negative effect on agricultural productivity, we may be** subject to ~~the risks~~ **decreased availability or less favorable pricing for certain commodities** that are ~~inherent in farming~~ **necessary for our products** . ~~Our~~ **As a** ~~results~~ - **result** of **climate change, we may also be subjected to**

decreased availability of water, deteriorated quality of water or less favorable pricing for water, which could adversely impact our manufacturing and distribution operations ~~may be adversely affected by numerous factors over which we have little or no control and that are inherent in farming, including reductions in the market prices for our products, adverse weather (including but not limited to drought, high winds, earthquakes and / or wildfire) and growing conditions, pest and disease problems, and new government regulations regarding farming and the marketing of agricultural products~~ . Demand for our products is subject to changing consumer preferences. Consumer preferences for particular food products are subject to fluctuations over time. Our ability to market and sell our products successfully depends in part on our ability to identify changing consumer preferences and respond to those changes by offering products that appeal broadly to consumers in light of current demands. Shifts in consumer preferences that can impact demand for our products at any given time can result from a number of factors, including dietary trends, attention to particular nutritional aspects of our products, concerns regarding the health effects of particular ingredients, attention given to ingredient sourcing practices and general public perception of food safety risks. Consumer demand for our products also may be impacted by any public commentary that consumers or certain regulatory bodies (including federal or state agencies involved in monitoring food safety) may make regarding our products or similar products. Consumer demand for our products also may be impacted by changes in the level of advertising or promotional support that are employed by (i) us, (ii) our retail / foodservice customers, or (iii) relevant industry groups or third parties that provide competing products. If consumer preferences trend negatively with respect to any one or more of our products, our sales volumes may decline as a result. ~~14~~ **We rely on independent certifications for a number of our products. We rely on independent third- party certifications, such as certifications of our products as " organic, " " Non- GMO " or " kosher, " to differentiate our products from others. We must comply with the requirements of independent organizations or certification authorities in order to label our products as certified organic. For example, we can lose our " organic " certification if a manufacturing plant becomes contaminated with non- organic materials, or if it is not properly cleaned after a production run. In addition, all raw materials must be certified organic. Similarly, we can lose our " kosher " certification if a manufacturing plant and raw materials do not meet the requirements of the appropriate kosher supervision organization. The loss of any independent certifications could adversely affect our market position as an organic and natural products company, which could harm our business.** Regulatory and Related Risks Environmental and other regulation of our business, including potential climate change regulation, could adversely impact us by increasing our production cost or restricting our ability to import certain products into the United States. Climate change could increase both the frequency and severity of natural disasters that may affect our business operations. Moreover, there has been a broad range of proposed and promulgated state, national and international regulation aimed at reducing the effects of climate change. Such regulations apply or could apply in countries where we have interests or could have interests in the future. In the United States, there is a significant possibility that some form of regulation will be enacted at the federal level to address the effects of climate change. Such regulation could take several forms that could result in additional costs in the form of taxes, the restriction of output, investments of capital to maintain compliance with laws and regulations, or required acquisition or trading of emission allowances. Climate change regulation continues to evolve, and it is not possible to accurately estimate either a timetable for implementation or our future compliance costs relating to implementation. Increased legislative, regulatory and public scrutiny on environmental, social, and corporate governance (" ESG ") issues including potential litigation involving our ESG practices or disclosures may adversely affect our business, and results of operations. A number of companies have been subject to private litigation and governmental action involving a diverse set of claims ranging from allegedly false environmental compliance and " sustainability " disclosures, social issues such as modern slavery in supply chains, and governance issues involving corporate audits and reporting. Like many companies, we publish an annual sustainability report covering topics including energy and emissions, fair labor, and sustainable **16** agriculture. While we believe the disclosures in our sustainability reports and elsewhere concerning ESG are accurate, we could still be subject to litigation involving ESG claims. Such litigation, even if without merit, could negatively impact our reputation, take management time and attention away from other company business, require changes in operations and / or adversely affect our business, financial condition and results of operations. In addition, the actions of growers and other industry partners on ESG matters could negatively impact our reputation or involve us in legal or regulatory proceedings concerning their conduct. **Additionally, any perceived failures to operate in accordance with domestic and international laws and regulations could cause consumers to no longer associate our company and our brands with high quality and safety products, may adversely affect the value of our brands and the demand for our products.** Unanticipated changes in **US** ~~U. S.~~ or international tax provisions, the adoption of new tax legislation or exposure to additional tax liabilities could affect our financial performance. We are subject to taxes in the **US** ~~U. S.~~ and Mexico. Due to economic and political conditions, tax rates in various jurisdictions may be subject to significant change. Our effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or changes in tax laws or their interpretation. We are also subject to the examination of our tax returns and other tax matters by the U. S. Internal Revenue Service, the ~~Servicio de Administracion Tributaria in Mexico (the "~~ SAT ~~")~~ and other tax authorities. We regularly assess the likelihood of an adverse outcome resulting from these examinations to determine the adequacy of our provision for taxes. There can be no assurance that we will accurately predict the outcomes of any audits, and the amounts ultimately paid upon resolution of audits could be materially different from the amounts previously included in our income tax expense and therefore could have a material impact on our tax provision, net income and cash flows. If our effective tax rates were to increase, or if the ultimate determination of our taxes owed is for an amount in excess of amounts previously accrued, our financial condition, operating results and cash flows could be adversely affected. Our dispute with Mexican tax authorities related to the 2013 Tax Assessment may have a material adverse effect on our results of operations and financial position **. In January 2017, we received preliminary observations from the SAT related to an audit for fiscal year 2013 outlining certain proposed adjustments primarily related to intercompany funding, deductions for services**

from certain vendors / suppliers and IVA. We provided a written rebuttal to these preliminary observations during our second fiscal quarter of 2017. During the period from our third fiscal quarter of 2017 through our third fiscal quarter of 2018, we attempted to resolve our case with the SAT through the conclusive agreement submitted before PRODECON (Mexican Tax Ombudsman), having several working meetings attended by representatives of the SAT, Calavo de Mexico (“ CDM ”) and the PRODECON. However, we were unable to materially resolve our case with the SAT through the PRODECON process . In July 2018, a local office of the SAT issued a final tax assessment (the “ 2013 Assessment ”) totaling approximately $ 2. 6 billion Mexican pesos (which includes annual adjustments for inflation, and equals approx. $ ~~131~~ **143** . ~~3~~ **8** million USD at October 31, ~~2022~~ **2023**) related to a fiscal 2013 tax audit. This amount has been adjusted for inflation as of October 31, ~~2022~~ **2023** to the amount of $ 3 billion Mexican pesos (approx. $ ~~151~~ **166** . ~~5~~ **0** million USD). Additionally, the tax authorities have ~~15~~ determined that we owe our employees profit- sharing liability, totaling approximately $ 118 million Mexican pesos (approx. $ 6. ~~0~~ **5** million USD at October 31, ~~2022~~ **2023**). In August 2018, we filed an administrative appeal (the “ Administrative Appeal ”) on the 2013 Assessment, appealing our case to the SAT’ s Legal Administration in Michoacan. On June 25, 2021, we became aware that the Administrative Appeal had been resolved against CDM on March 12, 2021, and that CDM had allegedly failed to timely respond to and challenge the SAT’ s notification of such resolution, therefore rendering the 2013 Assessment as definitive. In addition, the SAT placed liens on the fixed assets of CDM, with a net book value of approximately $ 26 million USD, and on bank accounts of CDM totaling approximately $ 1 million USD in order to guaranty the 2013 Assessment. As of October 31, 2022 all liens have been removed from the assets of CDM as a result of a Court ruling in favor of CDM. CDM accordingly received access to its bank accounts in November 2022. **17** We have taken measures to vigorously defend our position that the 2013 Assessment is without merit and we have court rulings in favor of CDM, including a Court resolution from the Tax Court ordering the SAT to accept an Administrative Guaranty and remove all liens. ~~We have~~ **On August 20, 2021, we** filed an Annulment Suit (the “ Suit ”) with the Federal Tax Court, which among other things, contends that the notifications made by the SAT to CDM and its designated advisors of the resolution of the Administrative Appeal in March 2021 was not legally communicated and asserts the same matters central to the Reconsideration as wrongly concluded in the resolution of the Administrative Appeal. **On September 22, 2021, we had an initial in- person meeting with the SAT in Mexico City to formally present and discuss the Administrative Reconsideration (the “ Reconsideration ”) that we filed on August 18, 2021. The SAT agreed to review our Reconsideration in more detail; however, on January 3, 2022, the SAT formally rejected our request for the Reconsideration. In response to this rejection, on January 21, 2022, we filed a capital injunction suit (the “ Injunction Suit ”) with a federal district court seeking to nullify the arguments against the Reconsideration made by the SAT on constitutional grounds. The main purpose of the Injunction Suit was to challenge the SAT’ s response issued to the Reconsideration, and with that, to keep the Reconsideration alive until the Injunction Suit is decided. This would allow time to continue the discussions with SAT at the administrative level and would give SAT the legal basis to issue a new resolution. The Injunction Suit represents a further opportunity for a court to analyze this matter from a constitutional perspective. On August 16, 2023, we received notice that the federal district court rejected the Injunction Suit. In so doing, the federal district court did not rule on the substance of the case, stating that the substance of the case will be resolved by the Tax Court through the Annulment Suit. The Company filed an appeal with the federal circuit court on August 30, 2023. On March 10, 2022, we met with the SAT and offered an Administrative Guaranty (Embargo en Via Administrativa) to secure the 2013 Assessment, which provides the SAT with certain administrative rights to CDM assets in the event we do not prevail in our actions through the Federal Tax Court. On October 10, 2022, the Tax Court ruled in favor of CDM granting the definitive suspension, accepting the Administrative Guaranty and forcing the SAT to remove all liens placed on CDM fixed assets and bank accounts. These liens were removed in November 2022. The Court also recognized that the $ 3. 1 billion peso assessment exceeds the economic capacity of CDM. While we continue to believe that the 2013 Assessment is completely without merit, and that we will prevail on the Annulment Suit in the Tax Court, we also believe that it is in the best interest of CDM and the Company to settle the 2013 Assessment as quickly as possible. Furthermore, we believe that the above actions taken by CDM will encourage the SAT to agree to reach a settlement. In accordance with our cumulative probability analysis on uncertain tax positions, our settlements made by the SAT in other cases, the 2011 Assessment settlement reached by CDM with the MFM, and the value of CDM assets, we recorded a provision of $ 11 million, in the third quarter of fiscal 2021, as a discrete item in Income Tax Provision. The provision includes estimated penalties, interest and inflationary adjustments. We believe that this provision remains appropriate as of October 31, 2023 based on our cumulative probability analysis. We incurred $ 2. 4 million of related professional fees for the year ended October 31, 2023, respectively, which we have recoded in Expenses related to Mexican Tax matters on the consolidated statements of operations.** We cannot assure you that any of these measures will be successful or that we will be able to settle the 2013 Assessment on terms acceptable to us or at all. Such outcomes could have a material adverse effect on our results of operations and financial condition which could result in an event of default under our credit facility and the acceleration of indebtedness under such facility. Further, we cannot assure you that the provision for this matter in our financial statements will be adequate to fund any settlement we may ultimately enter into or any amount of taxes. **18** Our dispute with the Mexican tax authorities related to taxes receivable may have a material adverse effect on our results of operations and financial position. As of October 31, ~~2022~~ **2023** , and October 31, ~~2021~~ **2022** , CDM IVA receivables totaled $ **49. 9 million (913. 6 million Mexican pesos) and $** 43. 6 million (865. 4 ~~million Mexican pesos) and $ 37. 5 million (762. 1~~ million Mexican pesos). Historically, CDM received IVA refund payments from the Mexican tax authorities on a timely basis. Beginning in fiscal 2014 and continuing into fiscal ~~2022~~ **2023** , the tax authorities began objecting to refund requests and supporting documentation that had previously been deemed acceptable to process a refund. Additionally, they are also questioning the refunds requested attributable to IVA paid to certain suppliers that allegedly did not fulfill their own tax obligations. We believe these factors and others have contributed to delays in the processing of IVA claims by the Mexican tax authorities. Currently, we are in the process of collecting such balances primarily through regular administrative processes, but these amounts may ultimately need to be recovered through Administrative Appeals and / or other legal means. For further details on this matter, see Note ~~15~~ **14** in the consolidated financial statements. We believe that our operations in Mexico are properly documented and our internationally recognized tax advisors believe that there are legal grounds to prevail in collecting the corresponding IVA amounts. Therefore, we believe that it is probable that the Mexican tax authorities will ultimately authorize the refund of the corresponding IVA amounts. However, there is no assurance that we will collect the full amount reflected in our financial statements. We are subject to possible changing USDA and FDA regulations which govern the importation of foreign avocados into the United States and the processing of processed avocado products. The USDA has established, and continues to modify, regulations governing the importation of avocados into the United States. Our permits that allow us to import foreign- sourced avocados into the United States generally are contingent on our compliance with these regulations. Our results of operations may be adversely affected if we are unable to comply with existing and modified regulations and are unable to secure avocado import permits in the future. The FDA establishes, and continues to modify, regulations governing the production of processed avocado products, such as the new Food Safety Modernization Act, which implements mandatory preventive controls for food facilities and compliance with mandatory produce safety standards. Our results of operations may be adversely affected if we are ~~16~~ unable to comply with these existing and modified regulations. Such failures could also cause reputational damage to our business **. If we fail to comply with the Foreign Corrupt Practices Act or other similar legal requirements, we may be subject to criminal and civil penalties and other remedial measures, which could have a material adverse effect on our reputation, business, results of operations or financial condition. We are subject to the United States Foreign Corrupt Practices Act (“ FCPA ”), and other anti- corruption laws and regulations that generally prohibit companies and their intermediaries from making improper payments to government officials and / or other persons for the purpose of obtaining or retaining business. Our policies mandate compliance with these anti- bribery laws. We operate in Mexico, which is recognized as having a greater potential for governmental and commercial corruption. Recent years have seen a substantial increase in anti- bribery law enforcement activity by U. S. regulators, with more frequent and aggressive investigations and enforcement proceedings by both the SEC and the Department of Justice (" DOJ"), increased enforcement activity by non- U. S. regulators, and increases in criminal and civil proceedings brought against companies and individuals. On January 16, 2024, the Company announced that its internal audit process had identified to the Audit Committee of the Board of Directors certain matters that the Board of Directors determined after fiscal year end merited enhanced evaluation. A Special Committee of the Board of Directors (the “ Special Committee ”) was established to commence an investigation, with the assistance of external legal counsel and external forensic accountants. The Special Committee determined that certain of those matters related to the Company’ s operations in Mexico raised potential issues under the 19 Foreign Corrupt Practices Act (“ FCPA ”). The Company voluntarily disclosed this ongoing investigation to the SEC and the DOJ, and the Company intends to fully cooperate with the SEC and the DOJ in connection with these matters. Any determination that the Company’ s operations or activities are not or were not in compliance with laws, including the FCPA, could result in a broad range of civil and criminal sanctions against the Company and certain of its personnel, including injunctive relief, disgorgement, substantial fines or penalties, imprisonment, interruptions of business, loss of supplier, vendor or other third- party relationships, termination of necessary licenses and permits, and other legal or equitable sanctions. Other internal or government investigations or legal or regulatory proceedings, including lawsuits brought by private litigants, may also follow as a consequence. Violations of these laws may result in criminal or civil sanctions, which could disrupt our business and result in a material adverse effect on our reputation, business, results of operations or financial condition. Moreover, our ongoing internal investigation, and cooperating with and responding to the SEC and the DOJ in connection with potential investigations they may undertake, as well as responding to any future U. S. or foreign governmental investigations or whistleblower lawsuits, have resulted in, and may continue to result in, substantial expenses, and have diverted and may continue to divert management’ s attention from other business concerns, and could have a material adverse effect on our business and financial condition and growth prospects** . International Risks We work with international third- party suppliers and partners, and our financial results could suffer due to unfavorable international events or regulations. We conduct a substantial amount of business with growers and customers who are located outside the United States. We purchase avocados from foreign growers and packers, sell fresh avocados and processed avocado products to foreign customers, and operate packinghouses and a processing plant in Mexico. **Mexico is the largest source of our supply of avocados, and our operations are affected by events in that country.** In recent years, there has been an increase in organized crime in Mexico ~~. This has not had a significant impact on our operations~~ , ~~but this does~~ **which could in the future affect avocado farming, packing and shipment activities and** increase the **costs and** ~~risk~~ **risks** of doing business in Mexico. We are also subject to regulations imposed by the Mexican government ~~,~~ and ~~also~~ to examinations by the Mexican tax authorities. Significant changes to these government regulations and to assessments by the Mexican tax authorities can have a negative impact on our operations and operating results in Mexico **. Importing avocados from Mexico to the U. S. depends on ours border remaining open, which has closed for trading in the past. In November 2022, the Mexican Secretary of Labor and Social Welfare issued the criteria for subcontracting inspections noting that companies engaged in farming, packing, distribution, and export of fruit would have to internalize picking and hauling services. In response to that criteria and subsequent fines, we are appealing the applicability of the criteria to our operations in Mexico, as well as disputing the notification received. An adverse result of this appeal could have an adverse effect on our operations in Mexico, which rely to some extent on external picking and hauling services** . For additional information about our Mexican sourced fruit, see the “ Business ” section included in this Annual Report. Our current international operations are subject to a number of inherent risks, including: ● Local economic and political conditions, including disruptions in supply, labor, transportation (the transport of consumer goods), trading and capital markets; ● Restrictive U. S. and foreign governmental actions, such as restrictions on transfers of funds and trade protection measures, including import / export duties and quotas and customs duties and tariffs; and ● Changes in legal or regulatory requirements affecting foreign investment, loans, taxes (including value- added taxes), imports, and exports **. 20 The Hamas- Israel and Russia- Ukraine conflicts, other areas of geopolitical tension around the world, or the worsening of those conflicts or tensions, and any related challenging macroeconomic conditions globally and in various countries in which we and our customers operate may materially adversely affect our customers, vendors, and partners, and the duration and extent to which these factors may impact our future business and operations, results of operations, financial condition and cash flows remain uncertain. The Hamas- Israel and Russia- Ukraine conflicts, or other areas of geopolitical tension around the world, or any worsening or spread of those conflicts or geopolitical tensions, and any related challenging macroeconomic conditions globally, could decrease the spending of our existing and potential new customers, adversely affect demand for our products, cause one or more of our customers, vendors, and partners to file for bankruptcy protection or go out of business, impact expected spending and pricing levels from existing and potential new customers, and negatively impact collections of accounts receivable, all of which could adversely affect our business, results of operations and financial condition. Any of the negative impacts of the Hamas- Israel and Russia- Ukraine conflicts, other areas of geopolitical tension around the world, or any worsening of those conflicts or geopolitical tensions, and any related challenging macroeconomic conditions, may have a material adverse effect on our business and operations, results of operations, financial condition and cash flows. Any of these negative impacts, alone or in combination with others, also could exacerbate many of the other risk factors discussed in this report, including volatility in the trading prices of our common stock. The full extent to which these factors will negatively affect our business and operations, results of operations, financial condition and cash flows will depend on future developments that are highly uncertain and cannot be predicted, including the scope, severity and duration of the Hamas- Israel and Russia- Ukraine conflicts, other areas of geopolitical tension around the world and any economic downturns and the actions taken by governmental authorities and other third parties in response** . Currency exchange fluctuations may impact the results of our operations. Currency exchange rate fluctuations, depending upon the nature of the changes, may make our domestic- sourced products more expensive compared to foreign grown products or may increase our cost of obtaining foreign- sourced products. These foreign currency fluctuations also affect the ultimate realization of foreign currency denominated assets and liabilities in US dollar terms. While hedging instruments may help reduce the volatility associated with currency rate changes, hedging instruments may not be readily available, may be too expensive or may be ineffective for the respective reduction in volatility desired. To date, the Company has not hedged against foreign currency exposure and we may not hedge against foreign currency exposure in the future, which could increase our susceptibility to foreign currency fluctuations. Financial Risks Our ability to raise capital in the future may be limited, and our failure to raise capital when needed could prevent us from executing our growth strategy. The timing and amount of our working capital and capital expenditure requirements may vary significantly depending on many factors, including: ● Market acceptance of our products; and ● ~~The existence of opportunities~~ **Opportunities** for expansion. If our capital resources are not sufficient to satisfy our liquidity needs, we may seek to sell additional equity or obtain additional debt financing. The sale of additional equity would result in dilution to our shareholders. Additional debt would result in increased expenses and could result in covenants that would restrict our operations. We may not be able to obtain additional financing, if required, in amounts or on terms acceptable to us, or at all. ~~17~~ **21** We are subject to restrictive debt covenants and other requirements related to our debt that limit our business flexibility by imposing operating and financial restrictions on our operations. **On June 26, 2023, Calavo and certain subsidiaries entered into a credit agreement (the " Credit Agreement ") by and among Calavo, certain subsidiaries of Calavo as guarantors, and Wells Fargo Bank, National Association, as agent and lender. The Credit Agreement provides for a revolving credit facility of up to $ 90. 0 million, along with a capex credit facility of up to $ 10. 0 million.** The agreements governing our indebtedness impose significant operating and financial restrictions on us. These restrictions prohibit or limit **our ability to** ~~, among other things~~ : **incur** ~~● the incurrence of additional~~ indebtedness; ~~● a number of restricted payments, including~~ **grant liens on its assets; enter into certain** investments; ~~● specified sales~~ **consummate fundamental change transactions; engage in mergers or acquisitions or dispose** of assets; ~~● specified~~ **enter into certain** transactions with affiliates; ~~● the creation of~~ **make changes to its fiscal year; enter into** certain **restrictive agreements** ~~types of liens~~ ; ~~● consolidations, mergers~~ and **make certain restricted payments (** ~~transfers of all or substantially all of our assets. Our credit agreement requires us to maintain specified financial ratios and satisfy financial condition tests,~~ including ~~, without~~ **for dividends). Each of these** ~~limitation~~ **limitations** ~~,~~ **are subject to various conditions. The Credit Agreement also contains** a **springing** ~~consolidated leverage ratio and a consolidated~~ fixed charge coverage ratio **financial covenant that is tested if the amount of the Revolving Loans available for Calavo to borrow under the New Credit Facility is less than 10 % of the total revolving credit facility. The Credit Agreement also contains certain affirmative covenants and customary events of default provisions, including, subject to thresholds and grace periods, among others, payment default, covenant default, cross default to other material indebtedness, and judgment default** . Our ability to comply with the ratios or tests may be affected by events beyond our control, including prevailing economic, financial and industry conditions. A breach of any of these covenants, or failure to meet or maintain ratios or tests could result in a default under our credit agreement. Certain events of default under our credit agreement would prohibit us from paying dividends on our common stock. In addition, upon the occurrence of an event of default under our credit agreement, the lenders could elect to declare all amounts outstanding under the credit agreement, together with accrued interest, to be immediately due and payable. If we were unable to repay those amounts, the credit agreement lenders could proceed against the security granted to them to secure that indebtedness. If the lenders accelerate the payment of the indebtedness, our assets may not be sufficient to repay in full this indebtedness and our other indebtedness. ~~Further, we were previously not in compliance with certain covenants~~

~~regarding financial ratios and tests contained in our credit agreement. As a result, we entered into amendments of such credit agreement that waived our noncompliance with such covenants and amended the financial covenants required. See Note 6 to our consolidated financial statements. Currently we are in compliance with such financial covenants and expect to remain in compliance.~~ Our ownership in unconsolidated subsidiaries, our loans / notes or advances to unconsolidated subsidiaries and other future debt or equity investments that we may make in unconsolidated subsidiaries, present risks and challenges that could have a material adverse effect on our business, financial position and results of operations. Income / (loss) from unconsolidated entities includes our allocation of earnings or losses from our investments in Don Memo. We do not control the operations of these investments, and our allocation of potential income or loss can increase or decrease our overall profitability significantly. Any loans / notes or advances that we make to unconsolidated entities (such as the existing advances to Don Memo) may at some point in the future be deemed uncollectible and as such may materially and negatively impact our financial results in the period such determination is made. As noted earlier, we do not control the operations of Don Memo, and their future operating performance and / or their future ability to raise capital from other third parties could negatively impact our ability to collect on our loans / notes or advances. General RisksThe value of our common stock may be adversely affected by market volatility and our common stock price has fluctuated and may continue to fluctuate, which may make future prices of our common stock difficult to predict. Investors should not rely on recent or historical trends to predict future stock prices, financial condition, results of operations or cash flows. Our common stock price, like that of other companies, can be volatile and can be affected by many factors, including: ● Our operating and financial performance and prospects; ~~18~~ **22**