DOLE FOOD CO INC
Form 10-Q
May 10, 2010

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

Form 10-Q

(Mark One)

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

For the quarterly period ended March 27, 2010

or

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

For the transition period from to

Commission file number 1-4455

Dole Food Company, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**99-0035300**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

One Dole Drive, Westlake Village, California 91362
(Address of principal executive offices and zip code)

Registrant s telephone number, including area code:
(818) 879-6600

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 þ No o

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 o No o

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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	**Shares Outstanding at May 6, 2010**
Common Stock, $0.001 Par Value	88,227,289

DOLE FOOD COMPANY, INC.

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PART I.
FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

DOLE FOOD COMPANY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Quarter Ended March 27, 2010	Quarter Ended March 28, 2009
	(In thousands, except per share data)	
Revenues, net	$ 1,605,874	$ 1,596,590
Cost of products sold	(1,433,667)	(1,392,719)
Gross margin	172,207	203,871
Selling, marketing and general and administrative expenses	(115,198)	(97,406)
Gain on asset sales (Note 12)	1,971	16,634
Operating income	58,980	123,099
Other income (expense), net	4,607	21,952
Interest income	1,602	1,636
Interest expense	(41,050)	(37,546)
Income from continuing operations before income taxes and equity earnings	24,139	109,141
Income taxes	(3,175)	(8,048)
Earnings from equity method investments	1,451	1,194
Income from continuing operations, net of income taxes	22,415	102,287
Income from discontinued operations, net of income taxes	347	122
Gain on disposal of discontinued operations, net of income taxes		1,308
Net income	22,762	103,717
Less: Net income attributable to noncontrolling interests	(609)	(897)
Net income attributable to Dole Food Company, Inc.	$ 22,153	$ 102,820
Earnings per share Basic and Diluted (Note 15):		
Income from continuing operations Basic and Diluted	$ 0.26	$ 1.98
Net income attributable to Dole Food Company, Inc. Basic and Diluted	$ 0.25	$ 1.99

See Accompanying Notes to Condensed Consolidated Financial Statements

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DOLE FOOD COMPANY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 27, 2010	January 2, 2010
	(In thousands, except per share data)	
ASSETS		
Cash and cash equivalents	$ 197,555	$ 119,670
Receivables, net of allowances of $50,997 and $51,380, respectively	807,762	726,157
Inventories	717,930	718,191
Prepaid expenses	68,173	68,665
Deferred income tax assets	9,500	8,496
Assets held-for-sale	96,949	96,020
Total current assets	1,897,869	1,737,199
Restricted deposits (Note 13)	21,250	23,290
Investments	81,865	85,004
Property, plant and equipment, net of accumulated depreciation of $1,086,982 and $1,069,299, respectively	946,086	962,247
Goodwill	407,247	407,247
Intangible assets, net	704,960	705,853
Other assets, net	183,107	186,183
Total assets	$ 4,242,384	$ 4,107,023
LIABILITIES AND SHAREHOLDERS EQUITY		
Accounts payable	$ 509,396	$ 474,399
Accrued liabilities	461,630	440,840
Current portion of long-term debt	77,306	8,017
Notes payable	37,244	37,308
Total current liabilities	1,085,576	960,564
Long-term debt	1,566,254	1,552,680
Deferred income tax liabilities	201,096	204,567
Other long-term liabilities	502,702	523,233
Contingencies (Note 11)		
Shareholders equity		
Preferred stock $0.001 par value; 10,000 shares authorized, none issued or outstanding		
Common stock $0.001 par value; 300,000 shares authorized, 88,233 shares issued and outstanding as of March 27, 2010 and January 2, 2010	88	88
Additional paid-in capital	770,352	768,973
Retained earnings	127,360	105,207
Accumulated other comprehensive loss	(38,210)	(35,293)

Equity attributable to Dole Food Company, Inc.	859,590	838,975
Equity attributable to noncontrolling interests	27,166	27,004
Total shareholders equity	886,756	865,979
Total liabilities and shareholders equity	$ 4,242,384	$ 4,107,023

See Accompanying Notes to Condensed Consolidated Financial Statements

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DOLE FOOD COMPANY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Quarter Ended March 27, 2010	Quarter Ended March 28, 2009
	(In thousands)	
Operating Activities		
Net income	$ 22,762	$ 103,717
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	26,267	26,929
Share-based compensation expense	1,379	
Net unrealized gains on financial instruments	(7,122)	(37,035)
Asset write-offs and net gain on sale of assets	(2,502)	(20,003)
Earnings from equity method investments	(1,451)	(1,194)
Amortization of debt discounts and debt issuance costs	2,172	926
Write-off of debt issuance costs	4,650	5,222
Provision for deferred income taxes	(3,064)	2,361
Pension and other postretirement benefit plan expense	3,475	3,111
Other		40
Changes in operating assets and liabilities:		
Receivables	(73,598)	(33,626)
Inventories	185	8,581
Prepaid expenses and other assets	5,117	(17,084)
Income taxes	1,046	821
Accounts payable	44,450	287
Accrued liabilities	(185)	(5,810)
Other long-term liabilities	(4,831)	1,720
Cash flow provided by operating activities	18,750	38,963
Investing Activities		
Proceeds from sales of assets and businesses, net of cash disposed	9,741	56,437
Capital expenditures	(10,130)	(11,342)
Restricted deposits	2,040	
Other	(45)	(8)
Cash flow provided by investing activities	1,606	45,087
Financing Activities		
Short-term debt borrowings, net of repayments	(12,136)	84
Long-term debt borrowings	899,419	595,717
Long-term debt repayments	(811,756)	(685,216)
Payment of debt issuance costs	(15,858)	(17,760)
Payment of initial public offering costs	(733)	
Dividends paid to noncontrolling interests	(430)	(180)

Cash flow provided by (used in) financing activities	58,506	(107,355)
Effect of foreign currency exchange rate changes on cash	(977)	(1,579)
Increase (decrease) in cash and cash equivalents	77,885	(24,884)
Cash and cash equivalents at beginning of period	119,670	90,829
Cash and cash equivalents at end of period	$ 197,555	$ 65,945

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DOLE FOOD COMPANY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS Continued (Unaudited)

Supplemental cash flow information

At March 27, 2010 and January 2, 2010, accounts payable included approximately $6.7 million and $6.1 million, respectively, for capital additions. Of the $6.1 million of capital additions included in accounts payable at January 2, 2010, approximately $3.5 million had been paid during the quarter ended March 27, 2010. Approximately $4.3 million had been paid during the quarter ended March 28, 2009 related to $6.7 million of capital additions included in accounts payable at January 3, 2009.

For the quarter ended March 28, 2009, changes in operating assets and liabilities for prepaid expenses and other assets included a $10 million provisional payment made to the European Commission (EC) during January 2009 related to the EC s Antitrust Decision. Refer to Note 11 Contingencies for further information.

In addition to proceeds from asset sales of $56.4 million for the quarter ended March 28, 2009, $25.9 million of long-term debt was assumed by the buyer of the fresh-cut flowers subsidiaries, therefore providing a total benefit to Dole of $82.3 million from asset sales. During the fourth quarter of 2008, the fresh-cut flowers subsidiaries borrowed $25.9 million and Dole s cash balance at January 3, 2009 reflected the cash proceeds from this transaction. The debt ceased to be an obligation of Dole upon the closing of the first phase of the Flowers transaction during the first quarter of 2009.

See Accompanying Notes to Condensed Consolidated Financial Statements

DOLE FOOD COMPANY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY
(Unaudited)

	Common Shares Outstanding	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss): Pension & Other Postretirement Benefits	Accumulated Other Comprehensive Income (Loss): Cumulative Translation Adjustment	Accumulated Other Comprehensive Income (Loss): Unrealized Gains (Losses) on Hedges	Equity Attributable to Noncontrolling Interests	Total Shareholders Equity	Co
						(In thousands)				
anuary 3, 2009	51,710	$ 51	$ 409,630	$ 36,122	$ (40,960)	$ 27,187	$ (29,130)	$ 30,259	$ 433,159	
				102,820				897	103,717	$
aid								(180)	(180)	
foreign nslation and ns						(12,750)	421	(16)	(12,345)	
tion of realized ncome							546		546	
mployee s, net of s					(58)				(58)	
March 28, 2009	51,710	$ 51	$ 409,630	$ 138,942	$ (41,018)	$ 14,437	$ (28,163)	$ 30,960	$ 524,839	$
anuary 2, 2010	88,233	$ 88	$ 768,973	$ 105,207	$ (52,393)	$ 38,226	$ (21,126)	$ 27,004	$ 865,979	
				22,153				609	22,762	$
compensation			1,379						1,379	
aid								(430)	(430)	
foreign nslation and ns, net of s						(12,876)	8,802	(17)	(4,091)	
tion of realized ncome							1,157		1,157	
March 27, 2010	88,233	$ 88	$ 770,352	$ 127,360	$ (52,393)	$ 25,350	$ (11,167)	$ 27,166	$ 886,756	$

See Accompanying Notes to Condensed Consolidated Financial Statements

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DOLE FOOD COMPANY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 BASIS OF PRESENTATION

In the opinion of management, the accompanying unaudited condensed consolidated financial statements of Dole Food Company, Inc. and its consolidated subsidiaries (Dole or the Company) include all adjustments necessary, which are of a normal recurring nature, to present fairly Dole s financial position, results of operations and cash flows. Dole operates under a 52/53-week year. The quarters ended March 27, 2010 and March 28, 2009 are twelve weeks in duration. For a summary of significant accounting policies and additional information relating to Dole s financial statements, refer to the Notes to Consolidated Financial Statements in Item 8 of Dole s Annual Report on Form 10-K (Form 10-K) for the year ended January 2, 2010.

Interim results are subject to seasonal variations and are not necessarily indicative of the results of operations for a full year. Dole s operations are sensitive to a number of factors including weather-related phenomena and their effects on industry volumes, prices, product quality and costs. Operations are also sensitive to fluctuations in foreign currency exchange rates in both sourcing and selling locations as well as economic crises and security risks.

In March 2003, Dole completed a going-private merger transaction. As a result of the transaction, Dole became wholly-owned by David H. Murdock, Dole s Chairman. On October 28, 2009, Dole completed a $446 million initial public offering (IPO) of 35,715,000 common shares at $12.50 per share. On October 23, 2009, Dole s common stock began trading on the New York Stock Exchange under the ticker symbol DOLE. At the completion of the IPO, Dole s chairman, David H. Murdock, and his affiliates beneficially own approximately 51,710,000 common shares, or 58.6% of Dole s outstanding common shares.

NOTE 2 RECENTLY ISSUED AND ADOPTED ACCOUNTING PRONOUNCEMENTS

During May 2009, the Financial Accounting Standards Board (FASB) issued a statement which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued. In February 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-09, *Subsequent Events (Topic 855) Amendments to Certain Recognition and Disclosure Requirements* (ASU 2010-09). ASU 2010-09 amends the previous guidance on subsequent events and no longer requires Securities and Exchange Commission (SEC) filers to disclose the date through which subsequent events have been evaluated. The subsequent event provisions are effective for interim and annual reporting periods ending after June 15, 2009 and were effective for Dole beginning in the first quarter of fiscal 2010. The adoption of this standard had no impact on Dole s financial position, results of operations, or cash flows.

During June 2009, the FASB issued ASU No. 2009-17, *Consolidations (Topic 810) Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities* (ASU 2009-17). ASU 2009-17 amended the consolidation guidance applicable to variable interest entities (VIE) and changed the approach for determining the primary beneficiary of a VIE. Among other things, the new guidance requires a qualitative rather than a quantitative analysis to determine the primary beneficiary of a VIE; requires continuous assessments of whether an enterprise is the primary beneficiary of a VIE; enhances disclosures about an enterprise s involvement with a VIE; and amends certain guidance for determining whether an entity is a VIE. This accounting guidance is effective for annual periods beginning after November 15, 2009 and was effective for Dole beginning in the first quarter of fiscal 2010. The adoption of this standard had no impact on Dole s results of operations or financial position.

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DOLE FOOD COMPANY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

NOTE 3 OTHER INCOME (EXPENSE), NET

Included in other income (expense), net in Dole s condensed consolidated statements of operations for the quarters ended March 27, 2010 and March 28, 2009 are the following items:

	Quarter Ended March 27, 2010	Quarter Ended March 28, 2009
	(In thousands)	
Unrealized gain (loss) on the cross currency swap	$ (3,588)	$ 17,716
Realized gain on the cross currency swap	2,256	2,320
Unrealized gain on foreign denominated borrowings	5,409	5,538
Realized gain on foreign denominated borrowings		1,172
Foreign currency exchange gain on vessel obligations	5,174	422
Write-off of debt issuance costs	(4,650)	(5,222)
Other	6	6
Other income (expense), net	$ 4,607	$ 21,952

Refer to Note 13 Derivative Financial Instruments for further discussion regarding Dole s cross currency swap.

NOTE 4 DISCONTINUED OPERATIONS

During the second quarter of 2008, Dole approved and committed to a formal plan to divest its fresh-cut flowers operations (Flowers transactions). The first phase of the Flowers transaction was completed during the first quarter of 2009. The operating results of fresh-cut flowers for the quarters ended March 27, 2010 and March 28, 2009 are reported in the following table:

	Quarter Ended March 27, 2010	Quarter Ended March 28, 2009
	(In thousands)	
Revenues	$ 415	$ 2,780
Income before income taxes	354	159
Income taxes	(7)	(37)
Income from discontinued operations, net of income taxes	$ 347	$ 122

Gain on disposal of discontinued operations, net of income taxes	$	$ 1,308

For all periods presented, noncontrolling interests shares of income from discontinued operations were not material.

NOTE 5 INCOME TAXES

Dole recorded $3.2 million of income tax expense on $24.1 million of pretax income from continuing operations for the quarter ended March 27, 2010. Income tax expense included an interest benefit of $0.7 million related to Dole s unrecognized tax benefits. Income tax expense of $8 million was recorded for the quarter ended March 28, 2009 which included interest expense of $0.6 million (net of associated income tax benefits of approximately $0.2 million) related to Dole s unrecognized tax benefits. Dole s effective tax rate varies significantly from period to period due to the level, mix and seasonality of earnings generated in its various U.S. and

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DOLE FOOD COMPANY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

foreign jurisdictions. Income tax expense for the quarter ended March 27, 2010 included $2.4 million recorded to establish a valuation allowance against deferred income tax assets in Ecuador which, as the result of a recently enacted tax law, have been determined to not be recoverable. This was offset by a reduction in Dole s liability for unrecognized tax benefits related to certain foreign jurisdictions.

Under ASC Topic 270, Interim Reporting (ASC 270) and ASC Topic 740, Income Taxes (ASC 740), Dole is requi to adjust its effective tax rate for each quarter to be consistent with the estimated annual effective tax rate. Jurisdictions with a projected loss where no tax benefit can be recognized are excluded from the calculation of the estimated annual effective tax rate. Applying the provisions of ASC 270 and ASC 740 could result in a higher or lower effective tax rate during a particular quarter, based upon the mix and timing of actual earnings versus annual projections.

For the periods presented, Dole s income tax provision differs from the U.S. federal statutory rate applied to Dole s pretax income primarily due to operations in foreign jurisdictions that are taxed at a rate lower than the U.S. federal statutory rate.

Dole recognizes accrued interest and penalties related to its unrecognized tax benefits as a component of income taxes in the accompanying condensed consolidated statements of operations. Accrued interest and penalties before tax benefits were $27.6 million and $28.3 million at March 27, 2010 and January 2, 2010, respectively, and are included as a component of other long-term liabilities in the accompanying condensed consolidated balance sheets.

Dole Food Company, Inc. or one or more of its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. With few exceptions, Dole is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years prior to 2001.

Income Tax Audits: Dole believes its tax positions comply with the applicable tax laws and that it has adequately provided for all tax related matters. Matters raised upon audit may involve substantial amounts and could result in material cash payments if resolved unfavorably; however, management does not believe that any material payments will be made related to these matters within the next twelve months. Management considers it unlikely that the resolution of these matters will have a material adverse effect on Dole s results of operations.

Internal Revenue Service Audit: On August 27, 2009, the IRS completed its examination of Dole s U.S. federal income tax returns for the years 2002-2005 and issued a Revenue Agent s report (RAR) that includes various proposed adjustments, including with respect to the going-private merger transactions. The IRS is proposing that certain funding used in the going-private merger is currently taxable and that certain related investment banking fees are not deductible. The net tax deficiency associated with the RAR is $122 million, plus interest. On October 27, 2009, Dole filed a protest letter vigorously challenging the proposed adjustments contained in the RAR and is pursuing resolution of these issues with the Appeals Division of the IRS. Dole believes, based in part upon the advice of its tax advisors, that its tax treatment of such transactions was appropriate. Although the timing and ultimate resolution of any issues arising from the IRS examination are highly uncertain, at this time Dole does not anticipate that the total unrecognized tax benefits will significantly change within the next twelve months nor does Dole believe that any material tax payments will be made related to these matters within the next twelve months.

On November 6, 2009, The Worker, Homeownership, and Business Assistance Act of 2009 was signed into law allowing companies to carry back net operating losses for up to five years for losses incurred in taxable years beginning or ending in either 2008 or 2009. Dole estimates that this new law effectively reduces the amount of the IRS claim from $122 million to $91 million. As noted, however, Dole is pursuing its objection to the proposed adjustments in the RAR.

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DOLE FOOD COMPANY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

There was no impact to Dole from the changes made to the tax treatment of the Medicare Part D program as a result of the March 2010 enactment of the Patient Protection and Affordable Care Act.

NOTE 6 INVENTORIES

The major classes of inventories were as follows:

	March 27, 2010	January 2, 2010
	(In thousands)	
Finished products	$ 366,482	$ 355,387
Raw materials and work in progress	105,482	100,843
Crop-growing costs	189,263	207,312
Operating supplies and other	56,703	54,649
	$ 717,930	$ 718,191

NOTE 7 GOODWILL AND INTANGIBLE ASSETS

Goodwill has been allocated to Dole s reporting segments as follows:

	Fresh Fruit	Fresh Vegetables	Packaged Foods	Total
		(In thousands)		
Balance as of January 2, 2010 and March 27, 2010	$ 275,430	$ 71,206	$ 60,611	$ 407,247

Details of Dole s intangible assets were as follows:

	March 27, 2010	January 2, 2010
	(In thousands)	
Amortized intangible assets:		
Customer relationships	$ 39,631	$ 39,631
Other amortized intangible assets	2,024	2,126

	41,655	41,757
Accumulated amortization customer relationships	(24,864)	(23,989)
Other accumulated amortization	(1,446)	(1,530)
Accumulated amortization intangible assets	(26,310)	(25,519)
Amortized intangible assets, net	15,345	16,238
Indefinite-lived intangible assets:		
Trademark and trade names	689,615	689,615
Total identifiable intangible assets, net	$ 704,960	$ 705,853

Amortization expense of intangible assets totaled $0.9 million in each of the quarters ended March 27, 2010 and March 28, 2009, respectively.

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DOLE FOOD COMPANY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

As of March 27, 2010 the estimated remaining amortization expense associated with Dole s intangible assets for the remainder of 2010 and in each of the next four fiscal years is as follows (in thousands):

Fiscal Year	Amount
2010	$ 2,915
2011	$ 3,790
2012	$ 3,790
2013	$ 1,611
2014	$ 955

NOTE 8 NOTES PAYABLE AND LONG-TERM DEBT

Notes payable and long-term debt consisted of the following:

	March 27, 2010	January 2, 2010
	(In thousands)	
Unsecured debt:		
8.875% notes due 2011	$ 70,000	$ 70,000
8.75% debentures due 2013	155,000	155,000
Secured debt:		
13.875% notes due 2014	227,437	227,437
8% notes due 2016	315,000	315,000
Revolving credit facility		
Term loan facilities	836,100	739,216
Contracts and notes, at a weighted-average interest rate of 6% in 2010 (6% in 2009) through 2014	8,810	9,349
Capital lease obligations	59,174	65,065
Notes payable, at a weighted-average interest rate of 6.5% in 2010 (7.3% in 2009)	37,244	37,308
Unamortized debt discount	(27,961)	(20,370)
	1,680,804	1,598,005
Current maturities	(114,550)	(45,325)
	$ 1,566,254	$ 1,552,680

Notes Payable

Dole borrows funds primarily on a short-term basis to finance current operations. The terms of these borrowings range from one month to three months. Dole s notes payables at March 27, 2010 consist primarily of foreign borrowings in Asia and Latin America.

2010 Debt Refinancing

On March 2, 2010, Dole amended its senior secured credit facilities. The amendments, among other things: (i) reduced the applicable Eurodollar interest rate for the term loan facilities to LIBOR plus 3.25%, with a LIBOR floor of 1.75%, or the base rate plus 2.25%; (ii) for the revolving credit facility, kept interest rates on borrowed funds unchanged at a range of LIBOR plus 3.00% to 3.50% or the base rate plus 2.00% to 2.50%, with the rate at any time determined by the average historical borrowing availability; (iii) changed the financial covenant metrics to a maximum total leverage ratio and a minimum interest coverage ratio; (iv) added significant operating and financial

DOLE FOOD COMPANY, INC.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)**

flexibility for Dole; and (v) provided for other technical and clarifying changes. The amended senior secured credit facilities provided $850 million of term loan facilities due 2017 and a $350 million revolving credit facility due 2014.

In March 2010, subsequent to the amendments, Dole repaid $13.9 million of the term loan facilities due 2017.

The 8.875% Senior Notes due 2011 (2011 Notes) are scheduled to mature during March 2011. As a result, during the quarter ended March 27, 2010, the remaining $70 million of notes outstanding were reclassified to current liabilities. On March 2, 2010, Dole called for redemption all of the remaining 2011 Notes. On April 1, 2010, Dole redeemed the remaining $70 million of the 2011 Notes outstanding with the proceeds from the senior secured credit facilities amendments.

Term Loans and Revolving Credit Facility

As of March 27, 2010, the term loan facilities consisted of $240 million of Term Loan B and $596.1 million of Term Loan C. The term loan facilities bear interest, at Dole s option, at a rate per annum equal to either (i) LIBOR plus a base rate of 3.25%, with a LIBOR floor of 1.75%; or (ii) the base rate plus 2.25%. Interest on the term loan facilities is payable quarterly in arrears. The weighted average variable interest rate at March 27, 2010 for Term Loan B and Term Loan C was 5.02%. The term loan facilities require quarterly principal payments, plus a balloon payment due in 2017. Dole has an interest rate swap to hedge future changes in interest rates and a cross currency swap to lower the U.S. dollar fixed interest rate to a Japanese yen fixed interest rate on Term Loan C through June 2011. Refer to Note 13 Derivative Financial Instruments for additional information related to these instruments.

As of March 27, 2010, the asset based lending senior secured revolving credit facility (ABL revolver) borrowing base was $271.3 million. There were no borrowings under the ABL revolver at March 27, 2010. Amounts outstanding under the ABL revolver bears interest, at Dole s option, at a rate per annum equal to either (i) LIBOR plus 3.00% to 3.50%, or (ii) a base rate plus 2.00% to 2.50%, in each case, based upon Dole s historical borrowing availability under this facility. The ABL revolver matures in March 2014. After taking into account approximately $92 million of outstanding letters of credit issued under the ABL revolver, Dole had approximately $179.3 million available for borrowings as of March 27, 2010. In addition, Dole had approximately $89.1 million of letters of credit and bank guarantees outstanding under its $100 million pre-funded letter of credit facility as of March 27, 2010.

Capital Lease Obligations

At March 27, 2010 and January 2, 2010, included in capital lease obligations were $56.4 million and $62.2 million, respectively, of vessel financing related to two vessel leases denominated in British pound sterling. The decrease in the capital lease obligation was primarily due to the weakening of the British pound sterling against the U.S. dollar during 2010, which resulted in Dole recognizing $5.2 million of unrealized gains. These unrealized gains were recorded as other income (expense), net in the condensed consolidated statement of operations for the quarter ended March 27, 2010.

Covenants

Provisions under the senior secured credit facilities and the indentures governing Dole s senior notes and debentures require Dole to comply with certain covenants. These covenants include limitations on, among other things, indebtedness, investments, loans to subsidiaries, employees and third parties, the issuance of guarantees and the payment of dividends. The ABL revolver also contains a springing covenant, which would not be effective unless the availability under the ABL revolver were to fall below the greater of $37.5 million and 12.5% of the Total Commitment (as defined) for any three consecutive business days. To date, the springing covenant had never been effective and Dole does not currently anticipate that the springing covenant will become effective.

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DOLE FOOD COMPANY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

In addition, as a result of the March 2, 2010 amendments to Dole s senior secured credit facilities, Dole is subject to a maximum total leverage and a minimum interest coverage ratio. At March 27, 2010, Dole s total leverage ratio was 3.90x and interest coverage ratio was 2.00x as compared with the required maximum total leverage ratio of 5.00x and the minimum interest coverage ratio of 1.50x.

A breach of a covenant or other provision in any debt instrument governing Dole s current or future indebtedness could result in a default under that instrument and, due to customary cross-default and cross-acceleration provisions, could result in a default under Dole s other debt instruments. Upon the occurrence of an event of default under the senior secured credit facilities or other debt instrument, the lenders or holders of such other debt instruments could elect to declare all amounts outstanding to be immediately due and payable and terminate all commitments to extend further credit. If Dole were unable to repay those amounts, the lenders could proceed against the collateral granted to them, if any, to secure the indebtedness. If the lenders under Dole s current indebtedness were to accelerate the payment of the indebtedness, Dole cannot give assurance that its assets would be sufficiently liquid to repay in full its outstanding indebtedness on an accelerated basis.

Debt Discounts and Debt Issuance Costs

In connection with the March 2, 2010 amendments of the senior secured credit facilities, Dole incurred debt issuance costs of $17 million. Debt issuance costs are capitalized and amortized into interest expense over the term of the underlying debt. During the quarters ended March 27, 2010 and March 28, 2009, Dole amortized deferred debt issuance costs of $1.2 million and $0.9 million, respectively.

Dole wrote off $4.6 million of deferred debt issuance costs during the quarter ended March 27, 2010 resulting from the amendments of the senior secured credit facilities as well as repayment of the term loan facilities subsequent to the amendments. In accordance with ASC Topic 470, Debt, the term loans and a portion of the ABL revolver, as a result of the amendments, were accounted for as extinguishment of debt. The write-off related to these amendments was recorded in other income (expense), net in the condensed consolidated statement of operations for the quarter ended March 27, 2010.

Debt discounts on term loan facilities in connection with the 2010 amendments of the senior secured credit facilities totaled $8.5 million. Debt discounts are amortized into interest expense over the term of the underlying debt. During the quarter ended March 27, 2010, Dole amortized debt discounts of $0.9 million.

Fair Value of Debt

Dole estimates the fair value of its secured and unsecured notes and debentures based on current quoted market prices. The term loans are traded between institutional investors on the secondary loan market, and the fair values of the term loans are based on the last available trading price. The carrying values and estimated fair values of Dole s debt are summarized below:

	March 27, 2010		January 2, 2010	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value

	(In thousands)			
Secured and unsecured notes and debentures	$ 747,887	$ 828,175	$ 747,067	$ 824,412
Term loans	827,689	844,461	739,216	743,836

Carrying values are net of debt discounts.

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NOTE 9 EMPLOYEE BENEFIT PLANS

The components of net periodic benefit cost for Dole s U.S. and international pension plans and other postretirement benefit (OPRB) plans were as follows:

	U.S. Pension Plans Quarter Ended		International Pension Plans Quarter Ended		OPRB Plans Quarter Ended	
	March 27, 2010	March 28, 2009	March 27, 2010	March 28, 2009	March 27, 2010	March 28, 2009
	(In thousands)					
Components of net periodic benefit cost:						
Service cost	$ 45	$ 38	$ 1,281	$ 1,359	$ 18	$ 52
Interest cost	3,639	4,003	1,585	1,676	541	615
Expected return on plan assets	(3,774)	(3,898)	(103)	(98)		
Amortization of:						
Unrecognized net loss (gain)	888	54	108	138	(27)	(119)
Unrecognized prior service cost (benefit)			81	77	(813)	(797)
Unrecognized net transition obligation			6	11		
	$ 798	$ 197	$ 2,958	$ 3,163	$ (281)	$ (249)

NOTE 10 SEGMENT INFORMATION

Dole has three reportable operating segments: fresh fruit, fresh vegetables and packaged foods. These reportable segments are managed separately due to differences in their products, production processes, distribution channels and customer bases.

Management evaluates and monitors segment performance primarily through, among other measures, earnings before interest expense and income taxes (EBIT). EBIT is calculated by adding interest expense and income taxes to income from continuing operations. Management believes that segment EBIT provides useful information for analyzing the underlying business results as well as allowing investors a means to evaluate the financial results of each segment in relation to Dole as a whole. EBIT is not defined under U.S. GAAP and should not be considered in isolation or as a substitute for net income or cash flow measures prepared in accordance with U.S. GAAP or as a measure of Dole s profitability. Additionally, Dole s computation of EBIT may not be comparable to other similarly titled measures computed by other companies, because not all companies calculate EBIT in the same manner.

Revenues from external customers and EBIT for the reportable operating segments and corporate were as follows:

	Quarter Ended	
	March 27, 2010	March 28, 2009
	(In thousands)	
Revenues from external customers:		
Fresh fruit	$ 1,122,963	$ 1,121,982
Fresh vegetables	230,526	233,442
Packaged foods	252,243	240,850
Corporate	142	316
	$ 1,605,874	$ 1,596,590

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	Quarter Ended March 27, 2010	Quarter Ended March 28, 2009
	(In thousands)	
EBIT:		
Fresh fruit	$ 43,153	$ 98,822
Fresh vegetables	10,490	16,473
Packaged foods	29,014	21,890
Total operating segments	82,657	137,185
Corporate:		
Unrealized gain (loss) on cross currency swap	(3,588)	17,716
Unrealized gain on foreign denominated instruments	4,726	5,538
Operating and other expenses	(17,155)	(12,558)
Corporate	(16,017)	10,696
Interest expense	(41,050)	(37,546)
Income taxes	(3,175)	(8,048)
Income from continuing operations, net of income taxes	$ 22,415	$ 102,287

Dole s earnings from equity method investments, which have been included in EBIT in the table above, relate primarily to the fresh fruit operating segment.

Total assets for the three reportable operating segments, corporate and fresh-cut flowers were as follows:

	March 27, 2010	January 2, 2010
	(In thousands)	
Total assets:		
Fresh fruit	$ 2,218,132	$ 2,165,234
Fresh vegetables	407,596	396,449
Packaged foods	649,442	645,349
Total operating segments	3,275,170	3,207,032
Corporate	954,575	887,352
Fresh-cut flowers discontinued operation	12,639	12,639
	$ 4,242,384	$ 4,107,023

NOTE 11 CONTINGENCIES

Dole is a guarantor of indebtedness of some of its key fruit suppliers and other entities integral to Dole s operations. At March 27, 2010, guarantees of $6.1 million consisted primarily of amounts advanced under third-party bank agreements to independent growers that supply Dole with product. Dole has not historically experienced any significant losses associated with these guarantees.

Dole issues letters of credit and bank guarantees through its ABL revolver and its pre-funded letter of credit facilities, and, in addition, separately through major banking institutions. Dole also provides insurance-company-issued bonds. These letters of credit, bank guarantees and insurance company bonds are required by certain regulatory authorities, suppliers and other operating agreements. As of March 27, 2010, total letters of credit, bank

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guarantees and bonds outstanding under these arrangements were $217.4 million, of which $89.1 million was issued under Dole s pre-funded letter of credit facility.

Dole also provides various guarantees, mostly to foreign banks, in the course of its normal business operations to support the borrowings, leases and other obligations of its subsidiaries. Dole guaranteed $200.8 million of its subsidiaries obligations to their suppliers and other third parties as of March 27, 2010.

Dole has change of control agreements with certain key executives, under which severance payments and benefits would become payable in the event of specified terminations of employment in connection with a change of control (as defined) of Dole.

Dole is involved from time to time in claims and legal actions incidental to its operations, both as plaintiff and defendant. Dole has established what management currently believes to be adequate reserves for pending legal matters. These reserves are established as part of an ongoing worldwide assessment of claims and legal actions that takes into consideration such items as changes in the pending case load (including resolved and new matters), opinions of legal counsel, individual developments in court proceedings, changes in the law, changes in business focus, changes in the litigation environment, changes in opponent strategy and tactics, new developments as a result of ongoing discovery, and past experience in defending and settling similar claims. In the opinion of management, after consultation with outside counsel, the claims or actions to which Dole is a party are not expected to have a material adverse effect, individually or in the aggregate, on Dole s financial position or results of operations.

DBCP Cases: A significant portion of Dole s legal exposure relates to lawsuits pending in the United States and in several foreign countries, alleging injury as a result of exposure to the agricultural chemical DBCP (1,2-dibromo-3-chloropropane). DBCP was manufactured by several chemical companies including entities of The Dow Chemical Company and Royal Dutch Shell plc and registered by the U.S. government for use on food crops. Dole and other growers applied DBCP on banana farms in Latin America and the Philippines and on pineapple farms in Hawaii. Specific periods of use varied among the different locations. Dole halted all purchases of DBCP, including for use in foreign countries, when the U.S. EPA cancelled the registration of DBCP for use in the United States in 1979. That cancellation was based in part on a 1977 study by a manufacturer which indicated an apparent link between male sterility and exposure to DBCP among factory workers producing the product, as well as early product testing done by the manufacturers showing testicular effects on animals exposed to DBCP. To date, there is no reliable evidence demonstrating that field application of DBCP led to sterility among farm workers, although that claim is made in the pending lawsuits. Nor is there any reliable scientific evidence that DBCP causes any other injuries in humans, although plaintiffs in the various actions assert claims based on cancer, birth defects and other general illnesses.

Currently there are 226 lawsuits, in various stages of proceedings, alleging injury as a result of exposure to DBCP or seeking enforcement of Nicaragua judgments. In addition, there are 72 labor cases pending in Costa Rica under that country s national insurance program.

Thirteen of the 226 lawsuits are currently pending in various jurisdictions in the United States. One case pending in Los Angeles Superior Court with 12 Nicaraguan plaintiffs initially resulted in verdicts which totaled approximately $5 million in damages against Dole in favor of six of the plaintiffs. As a result of the court s March 7, 2008 favorable rulings on Dole s post-verdict motions, including, importantly, the court s decision striking down punitive damages in the case on U.S. Constitutional grounds, the damages against Dole have now been reduced to $1.58 million in total compensatory awards to four of the plaintiffs; and the court granted Dole s motion for a new trial as to the claims of one of the other plaintiffs. On July 7, 2009, the California Second District Court of Appeals issued an order to show cause why this $1.58 million judgment should not be vacated and judgment be entered in defendants favor on the grounds that the judgment was procured through fraud. Plaintiffs were to provide their response to the order to show cause to the trial court within 30 days of the issuance of the order. In that order, the Court of Appeals stated that the trial court need not hold an evidentiary hearing to decide whether the judgment was

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procured by fraud, but instead can rely on the record that was presented in support of Dole s request to have the case sent back to the trial court. Since the Court of Appeal s order, the four plaintiffs who prevailed against Dole, and the one as to whom a new trial was granted, responded to the Court s order to show cause. They moved to dismiss Dole s petition to set aside the judgment based on fraud, which motion was denied. The Court has set a hearing for May 10, 2010 on Dole s petition to set aside the judgment based on fraud.

The remaining lawsuits are pending in Latin America and the Philippines. Claimed damages in DBCP cases worldwide total approximately $44.9 billion, with lawsuits in Nicaragua representing approximately 87% of this amount. Typically in these cases Dole is a joint defendant with the major DBCP manufacturers. Except as described below, none of these lawsuits has resulted in a verdict or judgment against Dole.

In Nicaragua, 197 cases are currently filed (of which 29 are active) in various courts throughout the country, all but one of which were brought pursuant to Law 364, an October 2000 Nicaraguan statute that contains substantive and procedural provisions that Nicaragua s Attorney General formally opined are unconstitutional. In October 2003, the Supreme Court of Nicaragua issued an advisory opinion, not connected with any litigation, that Law 364 is constitutional. Thirty-two cases have resulted in judgments in Nicaragua: $489.4 million (nine cases consolidated with 468 claimants) on December 11, 2002; $82.9 million (one case with 58 claimants) on February 25, 2004; $15.7 million (one case with 20 claimants) on May 25, 2004; $4 million (one case with four claimants) on May 25, 2004; $56.5 million (one case with 72 claimants) on June 14, 2004; $64.8 million (one case with 86 claimants) on June 15, 2004; $27.7 million (one case with 36 claimants) on March 17, 2005; $98.5 million (one case with 150 claimants) on August 8, 2005; $46.4 million (one case with 62 claimants) on August 20, 2005; $809 million (six cases consolidated with 1,248 claimants) on December 1, 2006; $38.4 million (one case with 192 claimants) on November 14, 2007; and $357.7 million (eight cases with 417 claimants) on January 12, 2009, which Dole learned of unofficially. Except for the latest one, Dole has appealed all judgments, with Dole s appeal of the August 8, 2005 $98.5 million judgment and of the December 1, 2006 $809 million judgment currently pending before the Nicaragua Court of Appeal. Dole will appeal the $357.7 million judgment once it has been served.

Of the 29 active cases currently pending in civil courts in Nicaragua, all have been brought under Law 364 except for one. In all of the active cases where the proceeding has reached the appropriate stage (7 of 29 cases), Dole has sought to have the cases returned to the United States. In three of the cases where Dole has sought return to the United States, the courts have denied Dole s request and Dole has appealed that decision. Dole s requests remain pending in the other four cases.

The claimants attempted enforcement of the December 11, 2002 judgment for $489.4 million in the United States resulted in a dismissal with prejudice of that action by the United States District Court for the Central District of California on October 20, 2003. The claimants have voluntarily dismissed their appeal of that decision, which was pending before the United States Court of Appeals for the Ninth Circuit. Defendants motion for sanctions against plaintiffs counsel is still pending before the Court of Appeals in that case. A Special Master appointed by the Court of Appeals recommended that plaintiffs counsel be ordered to pay defendants fees and costs up to $130,000 each to Dole and the other two defendants; and following such recommendation, the Court of Appeals appointed a special prosecutor. The Court held oral argument on the recommendation of the special prosecutor and a follow up hearing on such recommendation was held on October 15, 2009.

On October 20, 2009, the United States District Court for the Southern District of Florida issued an order denying recognition and enforcement of the $98.5 million Nicaragua judgment against Dole and another U.S. company. That order cited separate and independent grounds for non-recognition: the Nicaragua trial court did not have jurisdiction over the defendant companies; the judgment did not arise out of proceedings that comported with the international concept of due process; the judgment was rendered under a system which does not provide an impartial tribunal or procedures compatible with the requirements of due process of law; and the cause of action or claim for relief on which the judgment is based is repugnant to the public policy of Florida. Final judgment in favor of Dole (and the other defendant companies) was entered November 10, 2009, and the Court ordered the

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case closed. On March 10, 2010, Plaintiffs filed an appeal which is currently pending before the United States Court of Appeals for the Eleventh Circuit.

Claimants have also sought to enforce the Nicaraguan judgments in Colombia, Ecuador and Venezuela. In Venezuela, the claimants have attempted to enforce five of the Nicaraguan judgments in that country s Supreme Court: $489.4 million (December 11, 2002); $82.9 million (February 25, 2004); $15.7 million (May 25, 2004); $56.5 million (June 14, 2004); and $64.8 million (June 15, 2004). The Venezuela Supreme Court dismissed three of these enforcement actions, the one for $15.7 million, one for $56.5 million and one for $82.9 million, because plaintiffs failed to properly serve the defendants. An action filed to enforce the $27.7 million Nicaraguan judgment (March 17, 2005) in the Colombian Supreme Court was dismissed. In Ecuador, the claimants attempted to enforce the five Nicaraguan judgments issued between February 25, 2004 through June 15, 2004 in the Ecuador Supreme Court. The First, Second and Third Chambers of the Ecuador Supreme Court issued rulings refusing to consider those enforcement actions on the ground that the Supreme Court was not a court of competent jurisdiction for enforcement of a foreign judgment. The plaintiffs subsequently refiled those five enforcement actions in the civil court in Guayaquil, Ecuador. Two of these subsequently filed enforcement actions have been dismissed by the 3rd Civil Court $15.7 million (May 25, 2004) and the 12th Civil Court $56.5 million (June 14, 2004) in Guayaquil; plaintiffs have sought reconsideration of those dismissals. The remaining three enforcement actions are still pending.

Dole believes that none of the Nicaraguan judgments will be enforceable against any Dole entity in the U.S. or in any other country, because Nicaragua s Law 364 is unconstitutional and violates international principles of due process. Among other things, Law 364 is an improper special law directed at particular parties; it requires defendants to pay large, non-refundable deposits in order to even participate in the litigation; it provides a severely truncated procedural process; it establishes an irrebuttable presumption of causation that is contrary to the evidence and scientific data; and it sets unreasonable minimum damages that must be awarded in every case.

On October 23, 2006, Dole announced that Standard Fruit de Honduras, S.A. reached an agreement with the Government of Honduras and representatives of Honduran banana workers. This agreement establishes a Worker Program that is intended by the parties to resolve in a fair and equitable manner the claims of male banana workers alleging sterility as a result of exposure to DBCP. The Honduran Worker Program will not have a material effect on Dole s financial position or results of operations. The official start of the Honduran Worker Program was announced on January 8, 2007. On August 15, 2007, Shell Oil Company was included in the Worker Program.

As to all the DBCP matters, Dole has denied liability and asserted substantial defenses. While Dole believes there is no reliable scientific basis for alleged injuries from the agricultural field application of DBCP, Dole continues to seek reasonable resolution of pending litigation and claims in the U.S. and Latin America. For example, as in Honduras, Dole is committed to finding a prompt resolution to the DBCP claims in Nicaragua, and is prepared to pursue a structured worker program in Nicaragua with science- based criteria. The Los Angeles Superior Court previously appointed a mediator to explore possible settlement of all DBCP cases currently pending before the court.

Although no assurance can be given concerning the outcome of the DBCP cases, in the opinion of management, after consultation with legal counsel and based on past experience defending and settling DBCP claims, the pending lawsuits are not expected to have a material adverse effect on Dole s financial position or results of operations.

European Union Antitrust Inquiries Northern and Southern Europe:

Northern Europe

On October 15, 2008, the European Commission (EC) adopted a Decision against Dole Food Company, Inc. and Dole Fresh Fruit Europe OHG and against other unrelated banana companies, finding violations of the European competition (antitrust) laws. The Decision imposes 45.6 million in fines on Dole.

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The Decision follows a Statement of Objections, issued by the EC on July 25, 2007, and searches carried out by the EC in June 2005 at certain banana importers and distributors, including two of Dole s offices.

Dole received the Decision on October 21, 2008 and appealed the Decision to the European Court of First Instance in Luxembourg on December 24, 2008.

Dole made an initial $10 million (7.6 million) provisional payment towards the 45.6 million fine on January 22, 2009. As agreed with the European Commission (DG Budget), Dole provided the required bank guaranty for the remaining balance of the fine to the EC by the deadline of April 30, 2009. The bank guaranty renews annually during the appeals process (which may take several years) and carries interest of 6.15% (accrued from January 23, 2009). If the European Court of First Instance fully agrees with Dole s arguments presented in its appeal, Dole will be entitled to the return of all monies paid, plus interest.

Although no assurances can be given, and although there could be a material adverse effect on Dole, Dole believes that it has not violated the European competition laws. No accrual for the Decision has been made in the accompanying condensed consolidated financial statements, since Dole cannot determine at this time the amount of probable loss, if any, incurred as a result of the Decision.

Southern Europe

On November 28 and 29, 2007, the EC conducted searches of Dole offices in Italy and Spain, as well as of other companies offices located in these countries. Throughout the EC s investigation, Dole cooperated with the EC in its inquiries, while maintaining that Dole had not violated European competition law. In December 2009, the EC issued a Statement of Objections to a number of companies active in the import and marketing of bananas in Southern Europe. No Dole entities were addressees of this Statement of Objections.

Honduran Tax Case: In 2005, Dole received a tax assessment from Honduras of approximately $137 million (including the claimed tax, penalty, and interest through the date of assessment) relating to the disposition of all of Dole s interest in Cervecería Hondurea, S.A in 2001. Dole believes the assessment is without merit and filed an appeal with the Honduran tax authorities, which was denied. As a result of the denial in the administrative process, in order to negate the tax assessment, on August 5, 2005, Dole proceeded to the next stage of the appellate process by filing a lawsuit against the Honduran government in the Honduran Administrative Tax Trial Court. The Honduran government sought dismissal of the lawsuit and attachment of assets, which Dole challenged. The Honduran Supreme Court affirmed the decision of the Honduran intermediate appellate court that a statutory prerequisite to challenging the tax assessment on the merits is the payment of the tax assessment or the filing of a payment plan with the Honduran courts; Dole has challenged the constitutionality of the statute requiring such payment or payment plan. Although no assurance can be given concerning the outcome of this case, in the opinion of management, after consultation with legal counsel, the pending lawsuits and tax-related matters are not expected to have a material adverse effect on Dole s financial position or results of operations.

NOTE 12 ASSETS HELD-FOR-SALE

Dole continuously reviews its assets in order to identify those assets that do not meet Dole s future strategic direction or internal economic return criteria. As a result of this review, Dole has identified and is in the process of selling specific businesses and long-lived assets. In accordance with ASC Topic 205, Presentation of Financial Statements, Dole has reclassified these assets as held-for-sale.

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Total assets held-for-sale by segment were as follows:

	Fresh Fruit	Fresh Vegetables	Packaged Foods	Fresh-Cut Flowers - Discontinued Operation	Total Assets Held-for-Sale
			(In thousands)		
Balance as of January 2, 2010	$ 76,317	$ 3,850	$ 3,214	$ 12,639	$ 96,020
Additions	4,947				4,947
Reclassification		(3,251)			(3,251)
Sales	(767)				(767)
Balance as of March 27 2010	$ 80,497	$ 599	$ 3,214	$ 12,639	$ 96,949

Assets held-for-sale included in Dole s balance sheet at March 27, 2010 consist of property, plant and equipment, net of accumulated depreciation. There were no liabilities held-for-sale.

Dole received total cash proceeds of approximately $9.5 million during the quarter ended March 27, 2010, which are related to Dole s asset sale program. The total realized gain recorded from the asset sale program was $2 million for the quarter ended March 27, 2010, which is shown as a separate component of operating income in the condensed consolidated statement of operations for the quarter ended March 27, 2010.

Dole received total proceeds of $81.8 million on assets sold during the quarter ended March 28, 2009, which had been classified as held-for-sale. The total realized gain recorded on assets classified as held-for-sale, was $17.9 million for the quarter ended March 28, 2009, which included $1.3 million related to the first phase of the Flowers transaction. Realized gains related to continuing operations, of $16.6 million, are shown as a separate component of operating income in the condensed consolidated statement of operations for the quarter ended March 28, 2009.

Fresh Fruit

During the first quarter of 2010, Dole added $4.9 million to the assets held-for-sale balance, which represented approximately 1,000 acres of land in Hawaii. For the quarter ended March 27, 2010, Dole sold a farm located in Chile and land in Hawaii for $1.7 million and recorded a gain of $0.9 million. In addition, Dole collected $1.1 million during the first quarter of 2010 related to the sale of a Colombian container port yard in the fourth quarter of 2009 and recorded a gain of $1.1 million. Dole also collected $6.7 million in notes receivable during the first quarter of 2010 related to the sale of a portion of its Latin American banana operations and certain box plants completed during fiscal 2009.

Fresh Vegetables

During the first quarter of 2010, Dole decided to cease to actively market a former headquarters facility located in California due to weakness in the California real estate market. As a result, the assets related to the California campus facility were reclassified to property, plant, and equipment on the condensed consolidated balance sheet as of March 27, 2010.

Fresh-Cut Flowers Discontinued Operation

As of March 27, 2010, the assets held-for-sale balance in the fresh-cut flowers discontinued operation consists of a portion of the real estate of the former flowers division to be sold in subsequent phases of the transaction. During January 2010, Dole was notified by the buyer of the flowers business that it was exercising its option to purchase a portion of the assets with closing expected during the second quarter of 2010. The buyer also has notified Dole that it intends to purchase another group of assets in the second or third quarter of 2010. An option

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for the final group of assets expires in July 2010. Upon completion of the sale in 2010 and the sale of the remaining assets, Dole will have received sales proceeds of approximately $28 million with a net book value of $10 million.

NOTE 13 DERIVATIVE FINANCIAL INSTRUMENTS

Dole is exposed to foreign currency exchange rate fluctuations, bunker fuel price fluctuations and interest rate changes in the normal course of its business. As part of its risk management strategy, Dole uses derivative instruments to hedge certain foreign currency, bunker fuel and interest rate exposures. Dole s objective is to offset gains and losses resulting from these exposures with losses and gains on the derivative contracts used to hedge them, thereby reducing volatility of earnings. Dole does not hold or issue derivative financial instruments for trading or speculative purposes.

Cash Flow Hedges

During the first quarter of 2010, Dole designated a majority of its foreign currency derivative instruments as cash flow hedges in accordance with guidance provided by ASC Topic 815, Derivatives and Hedging (ASC 815). Specifically, Dole designated a majority of its foreign currency exchange forward contracts and participating forward contracts as cash flow hedges of its forecasted revenue and operating expense transactions. As a result, changes in fair value of the foreign currency derivative instruments since hedge designation, to the extent effective, are recorded as a component of accumulated other comprehensive income (loss) (AOCI) in the condensed consolidated balance sheet and are reclassified into earnings in the same period the underlying transactions affect earnings. Any portion of a cash flow hedge deemed ineffective is recognized into current period earnings.

As discussed in Note 8, certain terms of Dole s senior secured credit facilities were amended in connection with the March 2010 refinancing transactions. Dole has evaluated the impact of these amendments on its hedge designation for its interest rate swap and has determined not to re-designate the interest rate swap as a cash flow hedge of its interest rate risk associated with Term Loan C. As a result, changes in the fair value of the interest rate swap after de-designation on March 2, 2010 is recorded into interest expense. The unrealized loss of $20.4 million at March 2, 2010 will be recognized into interest expense as the underlying Term Loan C interest payments are made.

Interest Rate Swap and Cross Currency Swap

Dole entered into an interest rate swap in 2006 to hedge future changes in interest rates. This agreement effectively converted $320 million of borrowings under Term Loan C, which was variable-rate debt, to a fixed-rate basis through 2011. The interest rate swap fixed the interest rate at 7.2%. The paying and receiving rates under the interest rate swap were 5.5% and 0.3% as of March 27, 2010, with an outstanding notional amount of $320 million.

During 2006 (subsequently amended in 2009), Dole executed a cross currency swap to synthetically convert $320 million of Term Loan C into Japanese yen denominated debt in order to effectively lower the U.S. dollar fixed interest rate of 7.2% to a Japanese yen interest rate of 3.6%. Payments under the cross currency swap were converted from U.S. dollars to Japanese yen at an exchange rate of JPY 114.9.

Dole also entered into a collateral arrangement which requires Dole to provide collateral to its counterparties when the fair market value of the cross currency and interest rate swaps exceeds a combined liability of $35 million. The measurement date for the collateral required at March 27, 2010 was March 25, 2010, and the fair value of the swaps at the measurement date was a liability of approximately $91 million. Dole provided cash collateral of $21.3 million, which was recorded as restricted deposits in the accompanying condensed consolidated balance sheet, and the remaining $35 million of collateral was issued through letters of credit.

At March 27, 2010, the exchange rate of the Japanese yen to U.S. dollar was JPY 92.7. The value of the cross currency swap will fluctuate based on changes in the U.S. dollar to Japanese yen exchange rate and market interest rates until maturity in 2011, at which time it will settle in cash at the then current exchange rate.

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At March 27, 2010, the gross notional value and fair value of Dole s derivative instruments were as follows:

	Average Strike Price	Notional Amount	Derivative Assets (Liabilities) Balance Sheet Classification	Fair Value
		(In thousands)		
Derivatives designated as cash flow hedging instruments:				
Foreign currency hedges (buy/sell):				
U.S. dollar/Japanese yen	JPY 94.8	$ 163,741	Receivables, net	$ 478
			Accrued liabilities	(1,274)
U.S. dollar/Euro	$1.44/EUR	121,255	Receivables, net	9,812
U.S. dollar/Canadian dollar	CAD 1.10	19,750	Accrued liabilities	(615)
Chilean peso/U.S. dollar	CLP 530	10,285	Accrued liabilities	(19)
Philippine peso/U.S. dollar	PHP 47.2	67,032	Receivables, net	1,362
Total derivatives designated as cash flow hedging instruments				9,744
Derivatives not designated as hedging instruments:				
Foreign currency hedges (buy/sell):				
U.S. dollar/Swedish krona	SEK 7.16	3,795	Receivables, net	53
U.S. dollar/Euro	$1.37/EUR	900	Receivables, net	18
Cross currency swap current portion			Receivables, net	1,838
Cross currency swap		320,000	Other long-term liabilities	(66,965)
Interest rate swap		320,000	Other long-term liabilities	(18,760)
Bunker fuel hedges	$437	44,850	Receivables, net	412
	(per metric ton)	(metric tons)		
Total derivatives not designated as hedging instruments				(83,404)
Total				$ (73,660)

Settlement of the foreign currency and bunker fuel hedges will occur during 2010.

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DOLE FOOD COMPANY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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The effects of the interest rate swap and foreign currency hedges designated as cash flow hedging instruments on accumulated other comprehensive income (loss) and the condensed consolidated statements of operations for the quarters ended March 27, 2010 and March 28, 2009 were as follows:

	Gains Recognized in AOCI During Quarter Ended			Gains (Losses) Reclassified into Income Quarter Ended		Gains (Losses) Recognized in Income due to Hedge Ineffectiveness or Amounts Excluded from Effectiveness Testing	
	March 27 2010	March 28 2009	Income Statement Classification	March 27, 2010	March 28, 2009	March 27, 2010	March 28, 2009
	(In thousands)						
Derivatives designated as cash flow hedging instruments:							
Interest rate swap	$ 680	$ 421	Interest expense	$ (1,157)	$ (546)	$	$
Foreign currency hedges	7,942		Cost of products sold			(102)	

Unrealized gains and losses on the interest rate swap were recorded through AOCI through the de-designation date. To the extent effective, unrecognized gains and losses on the foreign currency hedges are recorded through AOCI from the designation date. Unrecognized losses of $16.1 million related to the interest rate swap are expected to be realized into earnings in the next twelve months, with the remaining $3.2 million expected to be realized into earnings through June 2011. Unrecognized gains of $7.9 million related to the foreign currency hedges are expected to be realized into earnings in the next twelve months.

Net unrealized gains (losses) and realized gains (losses) on derivatives not designated as hedging instruments for the quarters ended March 27, 2010 and March 28, 2009:

		Quarter Ended			
		Unrealized Gains (Losses)		Realized Gains (Losses)	
	Income Statement Classification	March 27, 2010	March 28, 2009	March 27, 2010	March 28, 2009
		(In thousands)			

Derivatives not designated as hedging instruments:					
Foreign currency hedges	Cost of products sold	$ 71	$ 9,502	$ (37)	$ 246
Bunker fuel contracts	Cost of products sold	(93)	3,241	4	(2,534)
Cross currency swap	Other income (expense), net	(3,588)	17,716	2,256	2,320
Interest rate swap	Interest expense	1,120			
Total		$ (2,490)	$ 30,459	$ 2,223	$ 32

NOTE 14 FAIR VALUE MEASUREMENTS

Dole s financial instruments primarily consist of short-term trade and grower receivables, trade payables, notes receivable and notes payable, as well as long-term grower receivables, capital lease obligations, term loans, a revolving loan, and notes and debentures. For short-term instruments, the carrying amount approximates fair value because of the short maturity of these instruments. For the long-term financial instruments, excluding Dole s secured and unsecured notes and debentures, and term loans, the carrying amount approximates fair value since they bear interest at variable rates or fixed rates which approximate market.

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Dole performs fair value measurements in accordance with guidance provided by ASC Topic 820, Fair Value Measurements and Disclosures (ASC 820). ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs to valuation techniques used to measure fair value. These levels, in order of highest to lowest priority are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The following table provides a summary of the assets and liabilities measured at fair value on a recurring basis under the ASC 820 hierarchy:

	March 27, 2010		January 2, 2010	
	Total	Fair Value Measurements Using Significant Other Observable Inputs (Level 2)	Total	Fair Value Measurements Using Significant Other Observable Inputs (Level 2)
	(In thousands)			
Assets and Liabilities Measured on a Recurring Basis				
Assets:				
Foreign currency exchange contracts	$ 11,723	$ 11,723	$ 2,738	$ 2,738
Bunker fuel contracts	412	412	505	505
	$ 12,135	$ 12,135	$ 3,243	$ 3,243
Liabilities:				
Foreign currency exchange contracts	$ 1,908	$ 1,908	$ 247	$ 247
Interest rate swap(1)	18,760	18,760	20,560	20,560
Cross currency swap, net	65,127	65,127	61,540	61,540
	$ 85,795	$ 85,795	$ 82,347	$ 82,347

(1)

Included in accrued liabilities on the condensed consolidated balance sheets as of March 27, 2010 and January 2, 2010 were $3.4 million and $3.7 million, respectively, of accrued interest related to the interest rate swap.

For Dole, the assets and liabilities that are required to be recorded at fair value on a recurring basis are the derivative instruments. The fair values of Dole s derivative instruments are determined using Level 2 inputs, which are defined as significant other observable inputs. The fair values of the foreign currency exchange contracts, bunker fuel contracts, interest rate swap and cross currency swap were estimated using internal discounted cash flow calculations based upon forward foreign currency exchange rates, bunker fuel futures, interest-rate yield curves or quotes obtained from brokers for contracts with similar terms less any credit valuation adjustments. Dole recorded a credit valuation adjustment at March 27, 2010 which reduced the derivative liability balances. The credit valuation adjustment was $1.3 million and $2.3 million at March 27, 2010 and January 2, 2010, respectively. For the quarter ended March 27, 2010, the net change in the credit valuation adjustment resulted in a loss of $1 million. Of this loss, $0.3 million was recorded as interest expense and $0.7 million was recorded as other income (expense), net. For the quarter ended March 28, 2009, the net change in credit valuation adjustment resulted in a loss of

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DOLE FOOD COMPANY, INC.

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$7.5 million. Of this loss, $0.7 million was recorded as interest expense and $6.8 million was recorded as other income (expense), net.

In addition to assets and liabilities that are recorded at fair value on a recurring basis, Dole is required to record assets and liabilities at fair value on a nonrecurring basis. Nonfinancial assets such as goodwill, indefinite-lived intangible assets and long-lived assets are measured at fair value when there is an indicator of impairment and recorded at fair value only when an impairment is recognized. Dole did not measure any assets or liabilities at fair value on a nonrecurring basis during the quarter ended March 27, 2010.

Credit Risk

The counterparties to the foreign currency and bunker fuel forward contracts and the interest rate and cross currency swaps consist of a number of major international financial institutions. Dole has established counterparty guidelines and regularly monitors its positions and the financial strength of these institutions. While counterparties to hedging contracts expose Dole to credit-related losses in the event of a counterparty s non-performance, the risk would be limited to the unrealized gains on such affected contracts. Dole does not anticipate any such losses.

NOTE 15 EARNINGS PER SHARE

	Quarter Ended	
	March 27, 2010	March 28, 2009
	(In thousands, except per share amounts)	
Income from continuing operations	$ 22,415	$ 102,287
Income from discontinued operations	347	122
Gain on disposal of discontinued operations		1,308
Less: Net income attributable to noncontrolling interests	(609)	(897)
Net income attributable to Dole Food Company, Inc.	$ 22,153	$ 102,820
Weighted average common shares outstanding Basic	87,425	51,710
Diluted effects of stock incentive plan	46	
Weighted average common shares outstanding Diluted	87,471	51,710
Earnings Per Share Basic:		
Income from continuing operations	$ 0.26	$ 1.98
Income from discontinued operations		
Gain on disposal of discontinued operations		0.03
Less: Net income attributable to noncontrolling interests	(0.01)	(0.02)

Net income attributable to Dole Food Company, Inc.	$	0.25	$	1.99
Earnings Per Share Diluted:				
Income from continuing operations	$	0.26	$	1.98
Income from discontinued operations				
Gain on disposal of discontinued operations				0.03
Less: Net income attributable to noncontrolling interests		(0.01)		(0.02)
Net income attributable to Dole Food Company, Inc.	$	0.25	$	1.99

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DOLE FOOD COMPANY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

The above computation of first quarter 2010 weighted average common shares outstanding diluted excludes 1,395,001 shares related to stock options as their inclusion would have an antidilutive effect on earnings per share.

NOTE 16 SHARE-BASED COMPENSATION

In connection with the IPO, in October 2009, the 2009 Stock Incentive Plan (2009 Plan) was approved by Dole s Board of Directors and stockholder, in which 6 million shares of Dole common stock have been authorized for issuance. As of March 27, 2010, 808,289 restricted shares and 35,211 restricted stock units and 1,395,001 nonqualified stock options were outstanding to officers, directors, and eligible employees. During the quarter ended March 27, 2010 there were no grants, exercises, forfeitures or cancellations. Share-based compensation expense totaled $1.4 million for the quarter ended March 27, 2010.

NOTE 17 SUBSEQUENT EVENT

On May 3, 2010, Dole was awarded $30.7 million, plus Dole s reasonable and incurred attorney s fees and costs, plus interest, in a binding arbitration case involving faulty manufactured refrigerated containers sold to Dole. The arbitration award is not included in Dole s operating results for the first quarter; Dole expects that the award will be received and recorded in income in a subsequent quarter during 2010.

NOTE 18 GUARANTOR FINANCIAL INFORMATION

Dole s wholly-owned domestic subsidiaries (Guarantors) have fully and unconditionally guaranteed, on a joint and several basis, Dole s obligations under the indentures related to the 2011 Notes, Dole s 8.75% debentures due 2013, the 13.875% senior secured notes due 2014 and the 8% senior secured notes due 2016 (the Guarantees). Each Guarantee is subordinated in right of payment to the Guarantors existing and future senior debt, including obligations under the senior secured credit facilities, and will rank pari passu with all senior subordinated indebtedness of the applicable Guarantor.

The accompanying Guarantor consolidating financial information is presented on the equity method of accounting for all periods presented. Under this method, investments in subsidiaries are recorded at cost and adjusted for subsidiaries cumulative results of operations, capital contributions and distributions and other changes in equity. Elimination entries relate to the elimination of investments in subsidiaries and associated intercompany balances and transactions as well as cash overdraft and income tax reclassifications.

The following are condensed consolidating statements of operations of Dole for the quarters ended March 27, 2010 and March 28, 2009; condensed consolidating balance sheets as of March 27, 2010 and January 2, 2010; and condensed consolidating statements of cash flows for the quarters ended March 27, 2010 and March 28, 2009.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the Quarter Ended March 27, 2010

	Dole Food Company, Inc.	Guarantors	Non Guarantors	Eliminations	Total
			(In thousands)		
Revenues, net	$ 18,496	$ 730,279	$ 1,188,372	$ (331,273)	$ 1,605,874
Cost of products sold	(14,789)	(633,214)	(1,114,013)	328,349	(1,433,667)
Gross margin	3,707	97,065	74,359	(2,924)	172,207
Selling, marketing and general and administrative expenses	(16,885)	(50,244)	(50,993)	2,924	(115,198)
Gain on asset sales	426		1,545		1,971
Operating income (loss)	(12,752)	46,821	24,911		58,980
Equity in subsidiary income	52,394	10,381		(62,775)	
Other income (expense), net	(1,429)		6,036		4,607
Interest income	273	119	1,210		1,602
Interest expense	(24,838)	(27)	(16,185)		(41,050)
Income from continuing operations before income taxes and equity earnings	13,648	57,294	15,972	(62,775)	24,139
Income taxes	8,505	(5,527)	(6,153)		(3,175)
Earnings from equity method investments		295	1,156		1,451
Income from continuing operations	22,153	52,062	10,975	(62,775)	22,415
Income from discontinued operations, net of income taxes			347		347
Net income	22,153	52,062	11,322	(62,775)	22,762
Less: Net income attributable to noncontrolling interests			(609)		(609)
Net Income attributable to Dole Food Company, Inc.	$ 22,153	$ 52,062	$ 10,713	$ (62,775)	$ 22,153

For the Quarter Ended March 28, 2009

	Dole Food Company, Inc.	Guarantors	Non Guarantors	Eliminations	Total
			(In thousands)		
Revenues, net	$ 15,152	$ 719,643	$ 1,192,710	$ (330,915)	$ 1,596,590
Cost of products sold	(13,688)	(639,145)	(1,068,086)	328,200	(1,392,719)
Gross margin	1,464	80,498	124,624	(2,715)	203,871
Selling, marketing and general and administrative expenses	(10,941)	(40,528)	(48,652)	2,715	(97,406)
Gain on asset sales		9,934	6,700		16,634
Operating income (loss)	(9,477)	49,904	82,672		123,099
Equity in subsidiary income	130,599	86,476		(217,075)	
Other income (expense), net	(578)		22,530		21,952
Interest income	256	33	1,347		1,636
Interest expense	(25,849)	(31)	(11,666)		(37,546)
Income from continuing operations before income taxes and equity earnings	94,951	136,382	94,883	(217,075)	109,141
Income taxes	7,871	(6,393)	(9,526)		(8,048)
Earnings from equity method investments	(2)	193	1,003		1,194