

DOLE FOOD CO INC
Form 10-Q
August 03, 2010

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

Form 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 19, 2010
or
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number 1-4455

Dole Food Company, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

99-0035300

(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 No

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

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

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

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 July 29, 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		Half Year Ended	
	June 19, 2010	June 20, 2009	June 19, 2010	June 20, 2009
	(In thousands, except per share amounts)			
Revenues, net	\$ 1,741,522	\$ 1,714,722	\$ 3,347,396	\$ 3,311,312
Cost of products sold	(1,540,722)	(1,492,606)	(2,974,389)	(2,885,325)
Gross margin	200,800	222,116	373,007	425,987
Selling, marketing and general and administrative expenses	(121,252)	(113,944)	(236,450)	(211,350)
Gain on asset sales (Note 11)	950	159	2,921	16,793
Operating income	80,498	108,331	139,478	231,430
Other income (expense), net (Note 2)	(5,496)	(33,046)	(889)	(11,094)
Interest income	1,516	1,500	3,118	3,136
Interest expense	(37,138)	(50,242)	(78,188)	(87,788)
Income from continuing operations before income taxes and equity earnings	39,380	26,543	63,519	135,684
Income taxes	(9,067)	(8,963)	(12,242)	(17,011)
Earnings from equity method investments	2,832	3,277	4,283	4,471
Income from continuing operations	33,145	20,857	55,560	123,144
Income from discontinued operations, net of income taxes	327	265	674	387
Gain on disposal of discontinued operations, net of income taxes				1,308
Net income	33,472	21,122	56,234	124,839
Less: Net income attributable to noncontrolling interests	(1,151)	(977)	(1,760)	(1,874)
Net income attributable to Dole Food Company, Inc.	\$ 32,321	\$ 20,145	\$ 54,474	\$ 122,965

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Earnings per share Basic and Diluted
(Note 14):

Income from continuing operations	\$	0.38	\$	0.40	\$	0.64	\$	2.38
Net income attributable to Dole Food Company, Inc.	\$	0.37	\$	0.39	\$	0.62	\$	2.38

See Accompanying Notes to Condensed Consolidated Financial Statements

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

	June 19, 2010	January 2, 2010
	(In thousands, except per share data)	
ASSETS		
Cash and cash equivalents	\$ 185,346	\$ 119,670
Restricted deposits (Note 12)	24,180	
Receivables, net of allowances of \$43,474 and \$51,380, respectively	811,693	726,157
Inventories	691,232	718,191
Prepaid expenses	71,322	68,665
Deferred income tax assets	9,789	8,496
Assets held-for-sale (Note 11)	91,093	96,020
Total current assets	1,884,655	1,737,199
Restricted deposits (Note 12)		23,290
Investments	80,358	85,004
Property, plant and equipment, net of accumulated depreciation of \$1,102,323 and \$1,069,299 respectively	941,476	962,247
Goodwill	407,247	407,247
Intangible assets, net	704,069	705,853
Other assets, net	182,818	186,183
Total assets	\$ 4,200,623	\$ 4,107,023
LIABILITIES AND SHAREHOLDERS EQUITY		
Accounts payable	\$ 489,324	\$ 474,399
Accrued liabilities	573,441	440,840
Current portion of long-term debt	7,288	8,017
Notes payable	43,582	37,308
Total current liabilities	1,113,635	960,564
Long-term debt	1,566,544	1,552,680
Deferred income tax liabilities	203,089	204,567
Other long-term liabilities	407,729	523,233
Contingencies (Note 10)		
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, 88,227 and 88,233 shares issued and outstanding as of June 19, 2010 and January 2, 2010, respectively	88	88
Additional paid-in capital	771,730	768,973

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Retained earnings	159,681	105,207
Accumulated other comprehensive loss	(49,343)	(35,293)
Equity attributable to Dole Food Company, Inc.	882,156	838,975
Equity attributable to noncontrolling interests	27,470	27,004
Total shareholders' equity	909,626	865,979
Total liabilities and shareholders' equity	\$ 4,200,623	\$ 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)

	Half Year Ended	
	June 19, 2010	June 20, 2009
	(In thousands)	
Operating Activities		
Net income	\$ 56,234	\$ 124,839
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	50,022	54,822
Share-based compensation expense	2,757	
Net (gains) losses on financial instruments	8,043	(966)
Asset write-offs and net gain on sale of assets	(5,071)	(18,120)
Earnings from equity method investments	(4,283)	(4,471)
Amortization of debt discounts and debt issuance costs	4,764	2,270
Write-off of debt issuance costs	4,650	5,222
Provision for deferred income taxes	(632)	2,056
Pension and other postretirement benefit plan expense	6,948	6,231
Other	852	699
Changes in operating assets and liabilities:		
Receivables	(66,064)	(5,844)
Inventories	26,837	67,415
Prepaid expenses and other assets	(324)	(21,822)
Income taxes	(1,829)	4,186
Accounts payable	30,651	(8,551)
Accrued liabilities	(3,586)	4,040
Other long-term liabilities	(19,006)	(2,692)
Cash flow provided by operating activities	90,963	209,314
Investing Activities		
Cash received from sales of assets and businesses, net of cash disposed	18,784	59,308
Capital expenditures	(31,823)	(24,936)
Restricted deposits	(890)	(6,070)
Other	(515)	(49)
Cash flow (used in) provided by investing activities	(14,444)	28,253
Financing Activities		
Short-term debt repayments, net of borrowings	(5,613)	(754)
Long-term debt borrowings	923,218	843,281
Long-term debt repayments	(906,222)	(1,039,172)
Payment of debt issuance costs	(16,986)	(18,103)
Payment of initial public offering costs	(957)	
Dividends paid to noncontrolling interests	(1,268)	(4,955)
Cash flow used in financing activities	(7,828)	(219,703)

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Effect of foreign currency exchange rate changes on cash	(3,015)	(774)
Increase in cash and cash equivalents	65,676	17,090
Cash and cash equivalents at beginning of period	119,670	90,829
Cash and cash equivalents at end of period	\$ 185,346	\$ 107,919

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DOLE FOOD COMPANY, INC.

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS Continued
(Unaudited)**

Supplemental cash flow information

At June 19, 2010 and January 2, 2010, accounts payable included approximately \$7.4 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 \$5.1 million had been paid during the half year ended June 19, 2010. Of the \$6.7 million of capital additions included in accounts payable at January 3, 2009, the majority was paid during the half year ended June 20, 2009.

For the half year ended June 20, 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 10 Contingencies for further information.

In addition to proceeds from asset sales of \$59.3 million for the half year ended June 20, 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 \$85.2 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 transactions during the first quarter of 2009.

See Accompanying Notes to Condensed Consolidated Financial Statements

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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)			Equity Attributable to Noncontrolling Interests	Total Shareholders' Equity
					Pension & Other	Cumulative Translation Adjustment	Unrealized Gains (Losses) on Hedges		
Balance at January 3, 2009	51,710	\$ 51	\$ 409,630	\$ 36,122	\$ (40,960)	\$ 27,187	\$ (29,130)	\$ 30,259	\$ 433,000
Net income				122,965				1,874	124,839
Dividends paid								(4,955)	(4,955)
Realized foreign currency translation and foreign exchange gains (losses), net of income taxes						(2,386)	852	(3)	(1,537)
Reclassification of realized foreign exchange gains to net income							4,007		4,007
Change in employee benefit plans, net of income taxes					(58)				(58)
Balance at June 20, 2009	51,710	\$ 51	\$ 409,630	\$ 159,087	\$ (41,018)	\$ 24,801	\$ (24,271)	\$ 27,175	\$ 555,202
Balance at January 2, 2010	88,233	\$ 88	\$ 768,973	\$ 105,207	\$ (52,393)	\$ 38,226	\$ (21,126)	\$ 27,004	\$ 865,995
Net income				54,474				1,760	56,234
Share-based compensation			2,757						2,757
Issuance of restricted common stock	(6)								(6)
Dividends paid								(1,268)	(1,268)
Realized foreign currency translation and foreign exchange gains (losses), net of income taxes						(24,715)	8,406	(26)	(16,335)
Reclassification of realized foreign exchange gains to net income, net of income taxes							2,259		2,259
Balance at June 19, 2010	88,227	\$ 88	\$ 771,730	\$ 159,681	\$ (52,393)	\$ 13,511	\$ (10,461)	\$ 27,470	\$ 909,526

See Accompanying Notes to Condensed Consolidated Financial Statements

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

	Quarter Ended		Half Year Ended	
	June 19, 2010	June 20, 2009	June 19, 2010	June 20, 2009
	(In thousands)			
Net income	\$ 33,472	\$ 21,122	\$ 56,234	\$ 124,839
Unrealized foreign currency translation and hedging gains (losses), net of income taxes	(12,244)	10,808	(16,335)	(1,537)
Reclassification of realized losses to net income, net of income taxes	1,102	3,461	2,259	4,007
Change in employee benefit plans, net of income taxes				(58)
Comprehensive income	22,330	35,391	42,158	127,251
Less: Comprehensive income attributable to noncontrolling interests	(1,142)	(990)	(1,734)	(1,871)
Comprehensive income attributable to Dole Food Company, Inc.	\$ 21,188	\$ 34,401	\$ 40,424	\$ 125,380

See Accompanying Notes to Condensed Consolidated Financial Statements

Table of Contents**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 June 19, 2010 and June 20, 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 OTHER INCOME (EXPENSE), NET

Included in other income (expense), net in Dole s condensed consolidated statements of operations for the quarters and half years ended June 19, 2010 and June 20, 2009 are the following items:

	Quarter Ended		Half Year Ended	
	June 19, 2010	June 20, 2009	June 19, 2010	June 20, 2009
	(In thousands)			
Unrealized loss on cross currency swap	\$ (10,713)	\$ (24,419)	\$ (14,301)	\$ (6,703)
Realized gain on cross currency swap	2,291	2,621	4,547	4,941
Unrealized gain (loss) on foreign denominated borrowings	2,058	(4,177)	7,467	1,361
Realized gain on foreign denominated borrowings	1,102	44	1,102	1,216
Foreign currency exchange gain (loss) on vessel obligation	(81)	(7,405)	5,093	(6,983)
Write-off of debt issuance costs			(4,650)	(5,222)
Other	(153)	290	(147)	296
Other income (expense), net	\$ (5,496)	\$ (33,046)	\$ (889)	\$ (11,094)

Refer to Note 12 Derivative Financial Instruments for further discussion regarding Dole's cross currency swap.

NOTE 3 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 transactions was completed during the first quarter of 2009.

Table of Contents**DOLE FOOD COMPANY, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)**

The operating results of fresh-cut flowers for the quarters and half years ended June 19, 2010 and June 20, 2009 are reported in the following table:

	Quarter Ended	
	June 19, 2010	June 20, 2009
	(In thousands)	
Revenues	\$ 415	\$ 401
Income before income taxes	\$ 347	\$ 315
Income taxes	(20)	(50)
Income from discontinued operations, net of income taxes	\$ 327	\$ 265

	Half Year Ended	
	June 19, 2010	June 20, 2009
	(In thousands)	
Revenues	\$ 830	\$ 3,181
Income before income taxes	\$ 701	\$ 474
Income taxes	(27)	(87)
Income from discontinued operations, net of income taxes	\$ 674	\$ 387
Gain on disposal of discontinued operations, net of income taxes	\$	\$ 1,308

For all periods presented, noncontrolling interests' share of income from discontinued operations was not material.

NOTE 4 INCOME TAXES

Dole recorded \$12.2 million of income tax expense on \$63.5 million of pretax income from continuing operations for the half year ended June 19, 2010. Income tax expense included interest expense of \$0.1 million related to Dole's unrecognized tax benefits. Income tax expense of \$17 million on \$135.7 million of pretax income from continuing operations was recorded for the half year ended June 20, 2009 which included interest expense of \$1.2 million (net of associated income tax benefits of approximately \$0.3 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 foreign jurisdictions. Income tax expense for the half year ended June 19, 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 required 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.

Table of Contents**DOLE FOOD COMPANY, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)**

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 \$28.4 million and \$28.3 million at June 19, 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 transaction. The IRS is proposing that funding used in the going-private merger is taxable and that some 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 uncertain and are subject to settlement on mutually agreeable terms at any time, at this time Dole does not anticipate that the total unrecognized tax benefits will significantly change within the next twelve months nor does Dole anticipate 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.

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 5 INVENTORIES

The major classes of inventories were as follows:

June 19, 2010	January 2, 2010
--------------------------	----------------------------

(In thousands)

Finished products	\$ 369,815	\$ 355,387
Raw materials and work in progress	108,750	100,843
Crop-growing costs	152,989	207,312
Operating supplies and other	59,678	54,649
	\$ 691,232	\$ 718,191

Table of Contents**DOLE FOOD COMPANY, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
(Unaudited)**NOTE 6 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 June 19, 2010	\$ 275,430	\$ 71,206	\$ 60,611	\$ 407,247

Details of Dole's intangible assets were as follows:

	June 19, 2010	January 2, 2010
	(In thousands)	
Amortized intangible assets:		
Customer relationships	\$ 39,631	\$ 39,631
Other amortized intangible assets	1,937	2,126
	41,568	41,757
Accumulated amortization - customer relationships	(25,736)	(23,989)
Other accumulated amortization	(1,378)	(1,530)
Accumulated amortization - intangible assets	(27,114)	(25,519)
Amortized intangible assets, net	14,454	16,238
Indefinite-lived intangible assets:		
Trademark and trade names	689,615	689,615
Total identifiable intangible assets, net	\$ 704,069	\$ 705,853

Amortization expense of intangible assets totaled \$0.9 million and \$0.9 million for the quarters ended June 19, 2010 and June 20, 2009, respectively, and \$1.8 million and \$1.7 million for the half years ended June 19, 2010 and June 20, 2009, respectively.

As of June 19, 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	\$ 2,039
2011	\$ 3,790
2012	\$ 3,790
2013	\$ 1,611
2014	\$ 955

Dole performed its annual impairment test for goodwill for all of its reporting units during the second quarter of 2010. In performing the valuations, Dole estimated the fair value of its reporting units using a combination of a market approach based on revenue and earnings before interest expense, income taxes, depreciation and amortization multiples of comparable public companies that are engaged in similar lines of business, and using an income approach based on expected future cash flows that are discounted at rates that reflect the risks associated with the current market. In determining the estimated cash flows for each of the reporting units, Dole considered recent economic and industry trends in estimating the expected future cash flows, which are subject to change based upon market conditions. As a result of the test, there were no indicators of a goodwill impairment. Reasonably

Table of Contents**DOLE FOOD COMPANY, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)**

possible fluctuations in the market guideline multiples, cash flow estimates, or the discount rates used would not indicate that there is an impairment of goodwill.

In addition, Dole also performed its annual impairment test for its trademark during the second quarter of 2010. Dole estimated the fair value of its trademark using the relief-from-royalty method. The relief-from-royalty method estimates the royalty expense that could be avoided in the operating business as a result of owning the respective trademark. The royalty savings are measured by applying a royalty rate to projected sales and then discounted by a discount rate that reflects the risks associated with the current market. The royalty rate is determined based on market data. The fair value estimate is most sensitive to the royalty rate used, and reasonably possible changes to the royalty rate and the discount rate would not indicate impairment for the Dole trademark.

NOTE 7 NOTES PAYABLE AND LONG-TERM DEBT

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

	June 19, 2010	January 2, 2010
	(In thousands)	
Unsecured debt:		
8.875% notes due 2011	\$	\$ 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
Asset-based 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	8,596	9,349
Capital lease obligations	58,541	65,065
Notes payable, at a weighted-average interest rate of 5% in 2010 (7.3% in 2009)	43,582	37,308
Unamortized debt discount	(26,842)	(20,370)
	1,617,414	1,598,005
Current maturities, net of unamortized debt discount	(50,870)	(45,325)
	\$ 1,566,544	\$ 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 June 19, 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; (ii) for the revolving credit facility, kept interest rates on borrowed funds unchanged; (iii) changed the financial covenant metrics to a maximum total leverage ratio and a minimum interest coverage ratio for the term loan facilities; (iv) added significant operating and

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DOLE FOOD COMPANY, INC.

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

financial 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.

On March 2, 2010, Dole called for redemption all of the remaining 8.875% Senior Notes due 2011 (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 June 19, 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 June 19, 2010 for Term Loan B and Term Loan C was 5.03%. 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 12 Derivative Financial Instruments for additional information related to these instruments.

As of June 19, 2010, the asset based lending senior secured revolving credit facility (ABL revolver) borrowing base was \$277.1 million. There were no borrowings under the ABL revolver at June 19, 2010. Amounts outstanding under the ABL revolver bear 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 \$113.6 million of outstanding letters of credit issued under the ABL revolver, Dole had approximately \$163.5 million available for borrowings as of June 19, 2010. In addition, Dole had approximately \$61.1 million of letters of credit and bank guarantees outstanding under its \$100 million pre-funded letter of credit facility as of June 19, 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 has never been effective and Dole does not currently anticipate that the springing covenant will become effective.

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 June 19, 2010, Dole's total leverage ratio was 4.20x and interest coverage ratio was 1.93x 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

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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 quarter and half year ended June 19, 2010, Dole amortized deferred debt issuance costs of \$1.4 million and \$2.6 million, respectively. During the quarter and half year ended June 20, 2009, Dole amortized deferred debt issuance costs of \$1.4 million and \$2.3 million, respectively.

Dole wrote off approximately \$4.6 million of deferred debt issuance costs during the half year ended June 19, 2010 resulting from the amendments of the senior secured credit facilities as well as the refinancing of the term loan facilities in connection with the amendments. In accordance with ASC Topic 470, *Debt*, the refinancing of the term loans and a portion of the ABL revolver, as a result of the amendments, was 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 half year ended June 19, 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 and half year ended June 19, 2010, Dole amortized debt discounts of \$1.1 million and \$2 million, respectively. During the quarter and half year ended June 20, 2009, Dole amortized debt discounts of \$0.8 million and \$0.8 million, respectively.

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 is summarized below:

	June 19, 2010		January 2, 2010	
	Carrying Values	Estimated Fair Values	Carrying Values	Estimated Fair Values
	(In thousands)			
Secured and unsecured notes and debentures	\$ 678,717	\$ 738,827	\$ 747,067	\$ 824,412
Term loans	827,978	834,010	739,216	743,836

Carrying values are net of debt discounts.

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(Unaudited)**NOTE 8 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		International Pension Plans		OPRB Plans	
	Quarter Ended		Quarter Ended		Quarter Ended	
	June 19, 2010	June 20, 2009	June 19, 2010	June 20, 2009	June 19, 2010	June 20, 2009
	(In thousands)					
Components of net periodic benefit cost:						
Service cost	\$ 45	\$ 38	\$ 1,281	\$ 1,361	\$ 19	\$ 52
Interest cost	3,639	4,003	1,582	1,683	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	\$ 2,955	\$ 3,172	\$ (280)	\$ (249)

	U.S. Pension Plans		International Pension Plans		OPRB Plans	
	Half Year Ended		Half Year Ended		Half Year Ended	
	June 19, 2010	June 20, 2009	June 19, 2010	June 20, 2009	June 19, 2010	June 20, 2009
	(In thousands)					
Components of net periodic benefit cost:						
Service cost	\$ 90	\$ 76	\$ 2,562	\$ 2,720	\$ 37	\$ 104
Interest cost	7,278	8,006	3,167	3,359	1,082	1,230
Expected return on plan assets	(7,548)	(7,796)	(206)	(196)		
Amortization of:						
Unrecognized net loss (gain)	1,776	108	216	276	(54)	(238)
Unrecognized prior service cost (benefit)			162	154	(1,626)	(1,594)

Unrecognized net transition obligation			12	22		
	\$ 1,596	\$ 394	\$ 5,913	\$ 6,335	\$ (561)	\$ (498)

NOTE 9 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. Generally Accepted Accounting Principles (U.S. GAAP) and should not be considered in isolation or as a substitute for net income or cash flow

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(Unaudited)

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		Half Year Ended	
	June 19, 2010	June 20, 2009	June 19, 2010	June 20, 2009
	(In thousands)			
Revenues from external customers:				
Fresh fruit	\$ 1,223,438	\$ 1,221,433	\$ 2,346,401	\$ 2,343,415
Fresh vegetables	268,869	258,087	499,395	491,529
Packaged foods	249,061	234,892	501,304	475,742
Corporate	154	310	296	626
	\$ 1,741,522	\$ 1,714,722	\$ 3,347,396	\$ 3,311,312

	Quarter Ended		Half Year Ended	
	June 19, 2010	June 20, 2009	June 19, 2010	June 20, 2009
	(In thousands)			
EBIT:				
Fresh fruit	\$ 67,846	\$ 96,466	\$ 110,999	\$ 195,288
Fresh vegetables	7,396	(3,509)	17,886	12,964
Packaged foods	24,815	23,998	53,829	45,888
Total operating segments	100,057	116,955	182,714	254,140
Corporate:				
Unrealized loss on cross currency swap	(10,713)	(24,419)	(14,301)	(6,703)
Net unrealized gain (loss) on foreign denominated instruments	1,739	(3,957)	6,465	1,581
Operating and other expenses	(11,733)	(8,517)	(28,888)	(21,075)
Corporate	(20,707)	(36,893)	(36,724)	(26,197)
Interest expense	(37,138)	(50,242)	(78,188)	(87,788)
Income taxes	(9,067)	(8,963)	(12,242)	(17,011)
Income from continuing operations	\$ 33,145	\$ 20,857	\$ 55,560	\$ 123,144

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

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

	June 19, 2010	January 2, 2010
	(In thousands)	
Total assets:		
Fresh fruit	\$ 2,203,959	\$ 2,165,234
Fresh vegetables	379,001	396,449
Packaged foods	667,842	645,349
Total operating segments	3,250,802	3,207,032
Corporate	937,182	887,352
Fresh-cut flowers discontinued operation	12,639	12,639
	\$ 4,200,623	\$ 4,107,023

NOTE 10 CONTINGENCIES

Dole is a guarantor of indebtedness of some of its key fruit suppliers and other entities integral to Dole's operations. At June 19, 2010, guarantees of \$2 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 June 19, 2010, total letters of credit, bank guarantees and bonds outstanding under these arrangements were \$212.2 million, of which \$61.1 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 \$230.3 million of its subsidiaries' obligations to their suppliers and other third parties as of June 19, 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

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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 227 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.

Twenty-one of the 227 lawsuits are currently pending in various jurisdictions in the United States, including nine new lawsuits filed in the First Circuit Court for the State of Hawaii, but not including one lawsuit that was dismissed with prejudice that had been pending in the District Court of Brazoria County, Texas. One case in Los Angeles Superior Court, the last remaining lawsuit brought in the United States by Nicaraguan plaintiffs, was recently dismissed after the Court found that the plaintiffs and their representatives engaged in blatant fraud, witness tampering, and active manipulation. In dismissing this lawsuit, the Court vacated an earlier \$1.58 million judgment against Dole in favor of four of the plaintiffs. This result was the culmination of hearings conducted by the Court in response to a July 7, 2009 order issued to plaintiffs by the California Second District Court of Appeal directing them to show cause why the \$1.58 million judgment should not be vacated and judgment be entered in Dole's favor on the grounds that the judgment was procured through fraud. After hearings held on May 10 and 11, and July 7-9 and 12, 2010, the Court found that the judgment had been procured through fraud on both Dole and the Court, and ordered it vacated.

The remaining lawsuits are pending in Latin America and the Philippines. Claimed damages in DBCP cases worldwide total approximately \$45 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, 195 cases are currently filed (of which 33 are active) in various courts throughout the country, all but two 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 465 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 85 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.

In all but one of the active cases where the proceeding has reached the appropriate stage, Dole has sought to have the cases returned to the United States. In all of the cases where Dole's request to return the case to the United States has been ruled upon, the courts have denied Dole's request and Dole has appealed those decisions.

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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 voluntarily dismissed their appeal of that decision, which was pending before the United States Court of Appeals for the Ninth Circuit. Defendants filed a motion for sanctions against plaintiffs' counsel 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 July 13, 2010, the Court of Appeals issued a ruling adopting the special prosecutor's recommendation regarding payment of defendants' fees and costs. The Court also publicly sanctioned one of plaintiffs' counsel and suspended two others from practicing before the Ninth Circuit for six months.

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 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. Dole has sought to recover its costs associated with this enforcement action. On July 7, 2010, the magistrate judge to whom Dole's costs motion was referred issued a report and recommendation to the district court to award Dole costs of approximately \$34 thousand. On July 26, 2010, plaintiffs filed an objection to the report and recommendation. The district court has not issued a filing ruling on Dole's costs motion.

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 has dismissed all five of these enforcement actions because plaintiffs failed to properly serve Dole. 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 have been abandoned by operation of law for lack of prosecution.

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.

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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.

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.

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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 11 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.

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

	Fresh Fruit	Fresh Vegetables	Packaged Foods (In thousands)	Fresh-Cut Flowers - Discontinued Operation	Total Assets Held-For-Sale
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	(6,623)				(6,623)
Balance as of June 19, 2010	\$ 74,641	\$ 599	\$ 3,214	\$ 12,639	\$ 91,093

Assets held-for-sale included in Dole's balance sheet at June 19, 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 \$17.6 million during the half year ended June 19, 2010, which are related to Dole's asset sale program. The total realized gains recorded from the asset sale program were \$1 million and

\$2.9 million for the quarter and half year ended June 19, 2010, respectively, which are shown as a separate component of operating income in the condensed consolidated statement of operations for the quarter and half year ended June 19, 2010.

Dole received total proceeds of approximately \$84 million on assets sold during the half year ended June 20, 2009, which were related to Dole's asset sale program. The total realized gains recorded from the asset sale program were \$0.2 million and \$18.1 million for the quarter and half year ended June 20, 2009. The \$18.1 million gain for the half year ended June 20, 2009 included \$1.3 million related to the first phase of the Flowers transaction. Realized gains related to continuing operations of \$0.2 million and \$16.8 million are shown as a separate component of operating income in the condensed consolidated statement of operations for the quarter and half year ended June 20, 2009.

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

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. During the first quarter, Dole sold a farm located in Chile and land in Hawaii. During the second quarter, Dole sold a facility in Chile and land in Hawaii and recorded a total gain of \$0.9 million. For the half year ended June 19, 2010, Dole received cash proceeds on assets sold of \$8.5 million and recorded a gain of \$2.9 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 \$8 million in receivables during the half year ended June 19, 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 from assets held-for-sale to property, plant, and equipment.

Fresh-Cut Flowers Discontinued Operation

As of June 19, 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. During the third quarter of 2010, Dole entered into a definitive agreement to sell two of these properties (a building and a farm in Colombia) to the buyer of the flowers business. The sale is expected to close during the third quarter of 2010; net proceeds are expected to be approximately \$6.5 million with an estimated gain of approximately \$4.4 million.

NOTE 12 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*. 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 7, some of the 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 are recorded in interest expense. The unrealized loss in AOCI will be recognized into interest expense through June 2011 as the underlying Term Loan C interest payments are made.

Table of Contents**DOLE FOOD COMPANY, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)*****Interest Rate Swap, Cross Currency Swap and Restricted Deposits***

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 June 19, 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 ¥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 June 19, 2010 was June 9, 2010, and the fair value of the swaps at the measurement date was a liability of approximately \$94 million. Dole provided cash collateral of \$24.2 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 June 19, 2010, the exchange rate of U.S. dollar to Japanese yen was ¥91. 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.

At June 19, 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 93.2	\$ 308,735	Accrued liabilities	\$ (7,838)
U.S. dollar/Euro	\$1.37/EUR	115,112	Receivables, net	10,992
U.S. dollar/Canadian dollar	CAD 1.10	14,300	Accrued liabilities	(482)
Chilean peso/U.S. dollar	CLP 530	7,685	Accrued liabilities	(84)
Philippine peso/U.S. dollar	PHP 47.2	48,969	Receivables, net	1,055
Total derivatives designated as cash flow hedging instruments				3,643

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Derivatives not designated as hedging instruments:

Foreign currency hedges (buy/sell):

U.S. dollar/Swedish krona	SEK 7.9	1,952	Accrued liabilities	(47)
South African rand/U.S. dollar	ZAR 8	7,277	Accrued liabilities	(22)
Cross currency swap		320,000	Receivables, net	1,637
Cross currency swap			Accrued liabilities	(77,478)
Interest rate swap		320,000	Accrued liabilities	(18,221)
Bunker fuel hedges	\$440	86,590	Accrued liabilities	(302)

	(per metric ton)	(metric tons)		
Total derivatives not designated as hedging instruments				(94,433)

Total				\$ (90,790)
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(Unaudited)

Settlement of the foreign currency and bunker fuel hedges will occur during 2010 and 2011.

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 and half years ended June 19, 2010 and June 20, 2009 were as follows:

		Gains (Losses) Recognized in AOCI During Quarter Ended		Income Statement Classification	Gains (Losses) Reclassified Into Income Quarter Ended		Gains (Losses) Recognized in Income due to Hedge Ineffectiveness or Amounts Excluded from Effectiveness Testing Quarter Ended	
		June 19, 2010	June 20, 2009		June 19, 2010	June 20, 2009	June 19, 2010	June 20, 2009
(In thousands)								
Derivatives designated as cash flow hedging instruments:								
Interest rate swap	\$		\$ 431	Interest expense	\$ (3,883)	\$ (3,461)	\$	\$
Foreign currency hedges		(382)		Cost of products sold	2,755		(166)	
		Gains Recognized in AOCI During Half Year Ended			Gains (Losses) Reclassified into Income Half Year Ended		Gains (Losses) Recognized in Income due to Hedge Ineffectiveness or Amounts Excluded from Effectiveness Testing Half Year Ended	
		June 19, 2010	June 20, 2009	Income Statement Classification	June 19, 2010	June 20, 2009	June 19, 2010	June 20, 2009
(In thousands)								

Derivatives designated
as cash flow hedging
instruments:

Interest rate swap	\$ 680	\$ 852	Interest expense	\$ (5,040)	\$ (4,007)	\$	\$
Foreign currency hedges	7,560		Cost of products sold	2,755		(268)	

Unrealized gains and losses on the interest rate swap were recorded through AOCI through the de-designation date. Unrecognized losses of \$15.4 million related to the interest rate swap are expected to be realized into earnings through June 2011. To the extent effective, unrecognized gains and losses on the foreign currency hedges are recorded through AOCI from the designation date. Unrecognized gains of \$2.2 million related to the foreign currency hedges are expected to be realized into earnings in the next twelve months with the remaining \$2.4 million gains expected to be realized through December 2011.

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(Unaudited)

Net unrealized gains (losses) and realized gains (losses) on derivatives not designated as hedging instruments for the quarters and half years ended June 19, 2010 and June 20, 2009 were as follows:

	Income Statement Classification	Quarter Ended			
		Unrealized Gains (Losses)		Realized Gains (Losses)	
		June 19, 2010	June 20, 2009	June 19, 2010	June 20, 2009
(In thousands)					
Derivatives not designated as hedging instruments:					
Foreign currency exchange contracts	Cost of products sold	\$ (140)	\$ (2,011)	\$ 19	\$ 1,049
Bunker fuel contracts	Cost of products sold	(714)	3,101	81	(250)
	Other income (expense), net	(10,713)	(24,419)	2,291	2,621
Cross currency swap					
Interest rate swap	Interest expense	3,627		(4,188)	
Total		\$ (7,940)	\$ (23,329)	\$ (1,797)	\$ 3,420

	Income Statement Classification	Half Year Ended			
		Unrealized Gains (Losses)		Realized Gains (Losses)	
		June 19, 2010	June 20, 2009	June 19, 2010	June 20, 2009
(In thousands)					
Derivatives not designated as hedging instruments:					
Foreign currency exchange contracts	Cost of products sold	\$ (69)	\$ 7,491	\$ (18)	\$ 1,295
Bunker fuel contracts	Cost of products sold	(807)	6,342	85	(2,784)
	Other income (expense), net	(14,301)	(6,703)	4,547	4,941
Cross currency swap					
Interest rate swap	Interest expense	4,747		(4,188)	
Total		\$ (10,430)	\$ 7,130	\$ 426	\$ 3,452

NOTE 13 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.

Dole performs fair value measurements in accordance with guidance provided by ASC Topic 820, *Fair Value Measurements and Disclosures* (ASC 820). ASC 820 provides 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.

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(Unaudited)

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:

	June 19, 2010		January 2, 2010	
	Fair Value		Fair Value	
	Measurements		Measurements	
	Using		Using	
	Significant		Significant	
	Other Observable		Other Observable	
	Inputs		Inputs	
	Total	(Level 2)	Total	(Level 2)
	(In thousands)			
Assets and Liabilities Measured on a Recurring Basis				
<i>Assets:</i>				
Foreign currency exchange contracts	\$ 12,047	\$ 12,047	\$ 2,738	\$ 2,738
Bunker fuel contracts			505	